

**PIONEER INVESTMENTS**  
**Pioneer Municipal High Income Trust (MHI) &**  
**Pioneer Municipal High Income Advantage Trust (MAV)**  
**Conference Call**  
**March 5, 2008**  
**4:00 pm EST**

Tony Clarizio: Good afternoon everyone and thank you for taking the time to join us for today's conference call.

We will be discussing Pioneer Municipal High Income Trust which trades under the New York Stock Exchange Symbol MHI and Pioneer Municipal High Income Advantage Trust which trades under the New York Stock Exchange Symbol MAV. My name is Tony Clarizio and I'm a Senior Product Manager here at Pioneer.

Before we begin, I'd like to read to you that this call will include statements that contain forward-looking information. Such statements are necessarily subject to risks and uncertainties, some of which are significant in scope and by the very nature beyond the controls of the fund and its investment advisor, Pioneer Investment Management, Inc.

There can be no assurance that such statements will prove to be accurate and actual results and future events could differ in a material fashion from those anticipated in such statements. Historical results are not necessarily indicative of future performance.

With that said this call will be available for replay for one week by dialing 800-642-1687 and using the ID Access Code which is 36584336.

We will also be posting a transcript of this call to our web site at [www.pioneerinvestments.com](http://www.pioneerinvestments.com).

We are pleased today to be joined by David Eurkus, the Portfolio Manager of both MHI and MAV. David's going to give us an update on MHI and MAV as well as an update on the municipal bond market in general. We will save Q&A until the end once David has completed his remarks.

But before I begin and before we go to David, I'd like to make a comment on the failed auctions that continue to affect closed-end fund issuers with respect to their auction rate securities. Please know that all of us at Pioneer are focused on resolving this issue while balancing the interest of all constituents involved both common and preferred shareholders alike.

We continue to have discussions with many industry participants as to the state of the ARS marketplace and regarding potential changes to this market that might result in improved liquidity for preferred shareholders, while maintaining the potential benefits of leverage within the closed-end fund structure.

With respect to the auction rate preferred shares issued by five of six of Pioneer's closed-end funds, HNW is the only one here that is leveraged via a line of credit and does not use the auction preferred market.

Let me emphasize that in the five of the six that use the auction rate market, this is not about credit, this is about liquidity as you know, and our funds have

asset coverage ratios of 250% or higher. In fact four of the funds have coverage ratios of greater than 300%.

As you know, the 1940 Act requires that closed-end mutual funds have coverage ratios of at least 200%.

However, we very much appreciate the fact that the more pressing issue to many of our preferred share investors and their financial advisors is the absence of liquidity stemming from the absence of buyers at auctions as well as a decision on the part of underwriting broker/dealers to not serve as buyers of last resort.

At this point it is too early to state with any certainty when a sense of calmness and rationality may return to the ARS market or when potential changes might be implemented.

With that I will now turn the call over to Mr. David Eurkus.

David Eurkus: Tony, thank you. Good afternoon ladies and gentlemen. Pretty slumbering month of February, I mean who would have ever thought that the municipal market would end up with the worst month ever in February which just closed down about 5%.

But more importantly triggered by an external event totally unrelated to munis, there were no credit problems, no major downgrades and so forth.

As you all know it really was triggered by the taxable housing market and the meltdown that began in the subprime mortgage market, the Alt-A market and then last Fall spilled into the AAA insured market such as your MBA, FGIC, AMBAC and so forth because the rating agencies finally exposed them to the

huge amounts of insurance they had in this CDO mortgage pool market that was really taking a pounding.

This sort of downgrades, unless they issued a lot more capital which they didn't do last Fall, really started to spook the market in munis. You have flight to quality in treasuries. The Street pulled away from all of these options and pulled out their liquidity thing so the options began to fail just a few at a time.

But the stresses from the losses in these mortgage pool markets were giving the Wall Street investment firms capital away from munis and into this taxable event to keep things together there.

We sort of parted ways for a while and rates continued to rise because the impact of munis is pretty significant. Over half of the \$2.6 trillion of outstanding municipal bonds are insured by the insurers, about 58%, so it's more than 1.6 trillion.

A lot of investment policies are based on the AAA rating and if it gets downgraded, that triggers a lot of sales because a lot of bonds since then have gone from being AAA rated by FGIC, AMBAC and so forth. They're now trading on their underlying ratings, their default ratings which are either AA, A or BAA.

And as you know most of the time we don't use insured bonds. We'd rather get the additional income by doing extensive credit research.

It was just unbelievable to see the insured market go down three, four, five points on bonds that were credit worthy as they were flipping from AAA standalones to their underlying rate.

So that added more downside. And then the year closed up better but the liquidity continued to get worse and worse in the short term markets.

Recall the headlines at year end and the first of this year that a lot of the auction rate preferred that are pushed out everyday by private issuers like the Port of New York Authority, Duke Energy, Georgetown University, Yale University, all states, counties and towns use a lot of these weekly available rate market. Those rates spiked up too.

If you recall the Port of New York and New Jersey which is AA, AA on it's own is one of the biggest economic important sectors of the economy in North America and their rates spiked up to 20%.

Here you have a AA, AA outstanding credit having to pay 20% tax free rates for a week and that's how bad it got.

So things have sort of unwound. Rates are coming back down. A lot of the big issuers in that particular case both from the taxable and tax free side have elected to bond out or call in some of the short term notes. They didn't want to pay those exorbitant rates for much longer than a week because it's more quadrupling your interest costs.

On the taxable side Duke Energy said we're going to put up 8, 900 million of our own cash, buy half of it out, put it away and retire it, the other half they're going to bond out like five corporate.

So they borrow at 4% to pay off these, you know, 8, 9, 10% loans.

And that's been the case that's going on also with the taxes and issuers.

While all of this has been going on, the longer the market has been going up in yield because everyone's focused on the front end and all the problems there. The cash flows weren't coming in until the AAA market or the really good AA underlying credits reached about 5% in yield on a 30 year bond which was in the last couple of weeks.

And why did we all of a sudden have such a humungous correction, meaning bond prices down and yields up particularly in February?

Well one that really pushed us over the edge was the fact that unbeknownst to a lot of people in the bond business that a lot of these big hedge funds, equity, absolute bonds had these big tender option muni trades on them which we knew about.

But what triggered a real big culminating downside to the muni market which occurred in the last week, particularly last Thursday and Friday was that three big hedges had to unwind all their tender option bond muni programs because the short term interest rates were financing to leverage which was higher than the bond yield they were earning on the long end.

They had to close out these transactions. Last Thursday there was \$3 billion of long 30 and munis out for the bid and on Friday another \$3 billion of long munis out for the bid unprecedented.

And these guys were closing the accounts up no matter what the prices were so bonds literally traded down five to six points lower on Thursday and Friday than they did a week earlier. This was because these hedge funds dumped and they didn't care what the price. They just wanted their money so they could take it and close out the trust and retire the preferred because a lot of these funds are closing up since they've had huge redemptions.

In fact, you saw some of the investment grade bonds like Yale University which is AAA, AAA on its own which came in about a 4.40 yield in the first half of '07, got to almost a 5.40 yield last week.

We're pretty active in the muni market for high yield and investment grade and we've put a lot of high yield and undervalued munis in taxable accounts.

As you probably read, other people have commented about how cheap munis were because literally this was the first time ever we had the ratios of munis and treasuries exceed 110%.

So this is unprecedented. As an asset class, it has never been this cheap, never sold out this much relative to no problems within the muni market itself.

But we started like a few other firms did putting a lot of tax exempt bonds in our taxable accounts because we were buying them at 115 to 120% of treasuries.

You do the math on that one. That's a leg up because every previous time you've had treasuries at and munis at or exceeding the yield on the taxable 30 year treasury was in a six month period you've had a big reversal and the ratio has gone back pretty much to the mean of the two.

The ten year mean on 30 year munis and the 30 year AAA treasuries is approximately 88%. Keeping in mind we were at 120% late last week.

Anything you bought last week tax free is up anywhere from three to seven points.

The ratios are still incredibly cheap. They got artificially too low in price because of this for selling so that was a very unusual event.

It was like with a lot of funds back after 911 when the airline/airports shutdown and American Airline bonds in literally a couple months went from 6% bonds at par to 6% coupon at 40 Cents on the dollar. They just trashed it. Everybody head for the hills. It wasn't sort of can't do it but this was on investment grade paper. The culmination was munis got so cheap as an asset class.

And I have to remind you again, I've said this before, munis are the second safest securest asset class of fixed income bonds both in North America and the world. (number one is treasuries)

So when you combine munis which are virtually credit free risk because the default rate as measured on munis since the Depression of the '30s is .6%, corporate's are about 5.5.

In the last ten years, comparing the corporate market, and I'm talking AAA bonds right on down to CCC, the default rate on corporate's or taxables 9.6%. This is from Moody's ending 12-31-07.

Last ten year default rate on municipal bonds was .10, so now with this asset class so cheap, tons and tons of taxable accounts are beginning to buy the muni market back because it's so attractive.

That's pretty much it in a nutshell. You know we have our leverage on, our book yields are still in excess of 7% on original purchases because both of these funds as you recall came in the Second Half of 2003 when we had the record wide yield spreads on investment grade versus below investment grade.

So the average qualities of the fund remain the same. Keep in mind HMI must be investment grade at all times. It has maxed out at 25% leverage. The leverage is still on.

A couple years ago before the Fed. started to raise rates, we hedged out 50% of our leverage in a five year Swap program so that's worked out beautifully and we also did it for MAV.

So throughout all of this we've continued to remain fully invested because as you know again the yield curve always, always stays positive in the muni market because of the tax ramifications.

But we just concluded our 12 flat inverted yield curves since World War II.

And in the previous 11 interest rates have always fallen dramatically both short, intermediate and then longer because the end result of all these inverted curves is generally a protracted economic slowdown/recession.

Having said all that, we felt clearly last year in the middle of last year that the housing market which peaked by the way in the Third Quarter of '06, the absolute peak in housing prices nationally, so we felt the trend with the economy was going to start to get slower and slower because of the housing market and other things.

We wanted to stay long duration during this because the supply and balances were changing, the high yield markets had come in at less meaning and the spreads got very, very narrow.

We retained a fully invested position to continue to keep very competitive. Yields were still in the top docile of all the closed-end funds for dividend distribution.

So we're doing okay. We're earning our dividends and things are looking pretty good. We don't have any credit problems in the portfolios. We've got a couple of issues we're working on but it's not a big deal.

The one thing that continued to happen is we continued to lose some of our older big coupon positions that we bought such as American Airline bonds. We had Atlanta's Airport 7.5 that we bought when the dollar price was about 60 back in the Second Half of '03. American Airlines retired them late last year for cash. So we made about 60 points on that position.

But we're able to make it up in other types of areas with smaller deals. So we haven't had any of these odd or strange types of credits that some of the funds ended up with these LIBOR-based and note that went down 25, 30 points, you know, and are totally illiquid today.

That caused a lot of bigger closed-end high yield and open-end funds to have a lot of problems on the down side.

Relative to anything that's happening, we still have a pretty good total return versus the Lehman Index. We're beating BO. The BO funds are beating the index by over 200 basis points.

Our discount is modest on MHI and we got a slight premium in MAV. So we're looking pretty good on our total return on a one year basis and still very competitive.

I'm pretty happy with how things have gone. We've kept ourselves out of trouble and we don't see any trouble coming. We continue to do our research and look for things to do and enhance the portfolio.

But I guess in summary the biggest disruption was this total lack of liquidity that developed by Wall Street in the short term market which raised a lot of havoc as you can see for the rest of the markets both taxable and tax free.

With that, I'll probably close it up, Tony, and maybe we have time for some questions.

Caller #1: Hi. Good afternoon. Looks like you guys are doing a great job, my compliments. It's a question on the continuity of the dividends and the safety. Do you have any numbers for undistributed investment income for either fund and do you have any number for unrealized capital gain possibilities?

Tony Clarizio: We do. I don't know if we have them right in front of us at this moment.

But we could try to get them for you. Typically what happens is we tend to look at the latest financials, i.e. the semiannual or the annual report. And to the extent that they're reasonably current. We can give you an idea from that.

David Eurkus: Yes and to be a little bit more specific, we're over earning at both dividends. The exact amount I don't know. It's not a huge amount. It's not for the next several years.

But, we've been maintaining that dividend even though until recently you've had a big drop in rates since 2003 when these funds came by as much as 400 basis points in the high yield market.

We're doing okay with it. Unrealized gains and losses, well up until the first of February had some significant high yields, unrealized gains but both funds like MHI has to be investment grade at all times.

So it's running about 60% investment grade. That – the investment grade part of the market is the one that got pounded year-to-date.

It's the opposite for MAV, it's 40% investment grade, 60 high yield but we're still just about investment grade.

Again, the biggest drop came on the investment grade products with some bonds as no trades were down as much as 10 to 15 points.

The depreciation in the portfolios was rather significant for everybody for that matter but the unrealized gains and losses which have been averaging about a year ago in the 20 million or close to zero now.

But just literally last night for example, most of these funds were up about 2.5%.

We suspect that this will revert back over the next several months and intermediate into next year where rates will continue to go lower as the economy weakens and you have this big drop in the investment grade arena which will enhance the gains again.

Caller #1: It looks like the MAV went up another 2% today in price. And the MHI was similarly up, it was up 1.52% I see. And probably the MAV went along with it because that's what has been happening of late.

David Eurkus: Right.

Caller #1: Well I thank you for that. And hopefully as things get called we'll be able to invest at close to the yield that they called at. And that's about it for me.  
Thank you.

David Eurkus: Okay, thank you very much.

Caller #2: Hi. Thank you for taking my call. What happens with dealers and Wall Street firms bailing out of providing market liquidity in this market here?  
But if you have an insight on that and then how does it translate into leverage issue for closed-end funds going forward?

Tony Clarizio: Well, as auction rate preferred securities in terms of leveraging for closed-end funds have been a mechanism for 20 years and have worked really, really well for 20 years or so.

Often times, if they were no bids or if they were not buyers to match sellers then what happened was the broker dealers would step in and back stop the deals and become sort of buyers of last resort.

Well, for a lot of reasons that you can imagine, a lot of the broker dealers with everything going on have decided for the time being that they're not going to do that.

So this is what we mean by a failed auction or a auction that does not clear meaning that there are no buyers to match sellers.

And it becomes a liquidity problem because the auction preferred shareholders cannot get their money.

In terms of leverage for the closed-end funds, it certainly first and foremost affects the preferred shareholders. It initially does not affect the common shareholders to that extent that, you know as we can continue to keep the leverage on as it is and continue to pay these distribution rates, but over time, there has to be a resolution to this for a few reasons.

One is our what we call our positive spread, our positive carry, meaning that we can still in the funds especially now, you know, we can still borrow on the short side and invest on the long side and it's a positive carry for us.

And as long as that's a positive carry we can continue to sustain these dividends.

So a lot depends on the yield curve and if the yield to the extent that if we can no longer do that, it does not become a positive carry anymore, then certainly that could put pressure on dividends.

Now how will that happen?

Well as you know when these auctions fail the rates get reset to what we call the maximum rates or the penalty rates.

So now instead of 3%, 3.25, now these rates are at the moment they're 4.25, 4.40. They're driven off a LIBOR actually and each fund, each auction preferred has a series that's driven off a different benchmark that results in a maximum rate.

Well right now they're all paying at their maximum rate and depending on the fund as I said it could be 4, 4.25, 4.50 or whatever it is.

That's still okay from our perspective, meaning that we're still having a positive carry.

But obviously if things change and the short term keeps going up, we can't invest and make the difference on a positive spread that could affect leverage.

But the bigger issues for the preferred shareholder is not having liquidity.

We're trying to come up with a solution that will inject liquidity into this market because we want to do well by the preferred shareholders but we also need to keep in mind that we have common shareholders.

One of the examples would be well why don't we just liquidate and delever.

If we do that we we will be hurting the common shareholders. We're trying to come up with a solution that helps both sides of the equation.

So hopefully that answers some of your question.

David Eurkus: Let me add a little bit more specifics to Tony's comment.

The benchmark for closed-end leverage is different from what we're talking about with these hedge funds and these monster liquidations in the short reach going up to 8, 9, 10, 15, 20%.

We maintain AAA, AAA ratings on our auction rate preferreds because as Tony said earlier you may have missed this, we have these coverage ratios that have to be a minimum of 200%.

And ours are running closer to 300.

So the collateral maintaining the AAA ratings on our auction preferred is the whole portfolio plus a lot of (VIG) on the other side. So we're over collateralizing.

The difference there is with the other auction preferreds you see with these higher rates is just one credit that lost it's AAA rating because the insurance has gone now. It's been downgraded in many cases.

So most of the auction rate preferreds in closed-ends are either tied to the commercial paper rate of the spread or in our case as Tony said we are tied to three months LIBOR plus 125 basis point. So we're pushing out at about 4, 4.50 or a round number on our costs at the present time.

That is still a very significant positive carry versus the assets on the long end. We still have a big positive spread. It's only happened in like the last three weeks that our short term cost on that portion of the leverage has gone up 100 basis points on only half the leverage because the other half of leverage is hedged out in treasuries already so we're in the black there.

Caller #2: Yeah, I mean right now things are working in your favor.

David Eurkus: Yes.

Caller #2: If you had the situation where these guys bailed out and making market and we had a LIBOR situation as we had back in August when LIBOR shot up to 500 something.

David Eurkus: Right, that's the unknown. And absolutely, that's what I was just going to get to by saying the only thing that could possibly work against us.

But listen this is very important and it's only my opinion. Because everybody, you're talking about a \$300 billion market for this stuff. It's huge. And it's mother America that's being financed. It's U.S. municipals.

It's the second safest, highways, bridges, hospitals everything. And tied to LIBOR. If for some reason LIBOR were to spike up, big time.

And that was a liquidity problem earlier that we saw and then it quickly went back down. We think the central banks both in North America, Europe, Asia would in fact step in to really prevent that from happening or put some wrap around this portion of the market because the fact, if LIBOR spiked to say from it's present rate at 3.10, I think that's where it is so yeah say it goes back to 6, 7, 8, that would devastate the entire U.S. economy.

I mean it totally would. We don't care if treasuries go up 100 basis points. (That stuff goes up). But you're talking about financing stops for everything in the United States.

Caller #2: Yeah. I guess my right question is take your time, and I know that from what you've told me so far.

But I've seen some headlines from Nuveen that there's possibility of the closed-end funds. Are they coming up with some mechanism? I haven't listened to any conference calls.

And I was thinking if you had some update on that...

Tony Clarizio: Yeah, well I don't have any final solutions yet. I mean this is a systemic issue which affects all of these closed-end funds.

So the solution that comes out of it will certainly help all of us.

I think we're all looking at similar things which would be to talk to these broker/dealers to see if there's any way they could help us to inject liquidity, to talk to the Fed to see if there's anything that could be done from their perspective to look at a secondary market. For example perhaps to try to get money market funds to purchase these things.

Although, there are some legal and regulatory issues about that.

But maybe a secondary market would emerge that would be a little better traded right now. I think it would be very thinly traded and I think it would also be folks having to sell at less than their par value.

So there's a lot of things floating around. There have been no specific answers yet but people are working very hard.

We're collectively all really looking at it. It's all the way up to the top of this firm as it is to the top of Nuveen. And everyone is seriously focused in on trying to come up with something so.

David Eurkus: And just emphasize what Tony's saying and from my perspective of Portfolio Manager, it's the whole business. All of us are in this together.

David Eurkus: So it's a major unified front from the mutual fund and it's the tax exempt industry to get some resolution to this. So it's a powerful force at work here together to resolve this. It's not an isolated attack.

Tony Clarizio: Thanks for your question.

Caller #3: Hey, how are you? I was sort of following up on the previous gentleman's question. On the muni side there are tender option bond programs that I know some closed-end funds use. Wouldn't those help for the muni funds to lower the cost for funding because they are money market eligible? And the next question is on your taxable funds too.

And I think there are more options open to taxable funds than non-taxable funds. I'm kind of wondering your timeframe on when you guys are going to start to make a decision for the preferred shareholders.

David Eurkus: Yeah. Well the tender option bond programs are active, alive and well.

We have them in the form of inverse floaters as you know in both the closed-end funds.

Our borrowing cost because we have AAA underlying credit most of them are not involved with FGIC or the insurers. They're standalone AAA so our borrowing costs are in the 2 -2.10 range, okay.

So we're able to have an even bigger positive spread with the tender option bond program.

Caller #3: That's kind of my question. Would you rollover some of your auction market preferred financings into the tender option bond?

David Eurkus: That is up for debate. I mean we're running numbers. We always have to see what kind of options are available given what's going on now.

Tony Clarizio: It's certainly on the table. It has been brought up and again it's one of many things. I wish I could give you more but it's certainly one of the things that has been discussed.

David Eurkus: Does that answer your question or not?

Caller #3: Yeah, I think what we're partly concerned about because we have preferred shareholders as well.

David Eurkus: Right.

Caller #3: So does the rest of the industry.

David Eurkus: Right.

Caller #3: You know there are these options out there that I know you're considering.

And I'm wondering on what basis you're going to make your decision. And is everybody kind of waiting for the other person to take the first step?

David Eurkus: Now let me make sure I understand you. We're waiting for what, to be able to close this out to take care of the preferred?

Caller #3: Yeah. I mean you have a fiduciary responsibility to both preferred and...

David Eurkus: Well again yes. You know we could – my answer on this is I think yes you could close that out legally depending on your leverage and so forth.

But it's more of a big business decision on part of the industry because there are other proposals being discussed now with the federal government and

Wall Street that would probably be more beneficial instead of closing out positive income streams and the taxes in that market.

Tony Clarizio: Yeah. I know this is probably what you're hearing from everyone. But it's true in the sense that is we are trying to think of the common shareholders and come up with a solution that balances the interest of both. I realize that preferreds are the ones in the moment that are in the most dire predicament.

But any solution, we'd want to make sure that we're mindful of the common shareholders as well so that's why a lot of these decisions that are going on whether it's Nuveen or Eaton Vance or Pioneer are trying to balance this and we're all talking to each other about these things as opposed to maybe a specific thing about Pioneer. Let's say why doesn't Pioneer unwind this or delever here because, you know, that clearly would hurt the common.

And we'd like to try to come up with a solution for both sides if we could.

So I don't know if that answers you but that's where we are at the moment.

Caller #3: Would financing for the tender option bond down from 4% to 2%, wouldn't that help both shareholders or are there some negatives to the TOB that don't exist in the offering?

David Eurkus: No, that's not a negative. Actually from a portfolio management and an income statement it would be more of a positive.

But the other thing you have to be careful of (Greg) the leverage portion of these tender option guys, the example I used like last Thursday and Friday when these taxable hedge funds unwound...

Caller #3: Yes.

David Eurkus: ...you know what their leverage was? Fifty to one.

Caller #3: Right, but if you're kind of constrained to your prospectus.....if you financed them at 30% it would cut the haircut for your...common shareholders a lot cheaper and...

David Eurkus: Yes. The math works given different spreads to short to the leverage on the long end.

So yeah, somewhere in there there's an answer that may be propitious for both but I can't give it to you because...

Caller #3: And the last...

David Eurkus: ...you know, I don't think it's necessary to do that yet.

Caller #3: Got you. Last question is sort of on that necessity. From a timeframe perspective, when do you think you do make this decision as to how to finance it?

I mean is it something that's discussed daily in your firm? Is it something that's discussed...?

David Eurkus: Yeah.

Tony Clarizio: Actually yeah, like I said it has reached the highest...

David Eurkus: Top priority.

Tony Clarizio: Yeah, it is top priority here all the way to senior management, all the way to the Board members. There are daily conversations. There are conference calls. There are formal meetings with banks to look at alternative sources of financing.

There are meetings with the Merrill's and the UBS's to try to understand how we can work together with them to try to inject some liquidity back here.

I can't tell you when it will be solved. But I will tell you that it is definitely top of mind for our firm and I know it's top of mind for every major competitor out there.

Caller #3: And is it a decision that the Portfolio Manager makes or is it sort of Board of the fund decision do you think?

Tony Clarizio: I think it's a combination. I think it's senior management and the Board talking and making sure that they do what's right by the preferred shareholders, the common shareholders.

We bring in our investment people as well. Obviously David and Ken Taubes who runs our investments here is a key part of that decision as well.

So it's really an investment and a management and a board meeting – a board discussion that is happening everyday here now.

Caller #3: Got you. Okay, thank you.

Tony Clarizio: You're welcome.

Caller #4: Hi. Thanks for taking my call. I'm fortunate in that the clients that I have in the preferreds do not require liquidity.

So, you know, at this point they're managing through this issue.

And while it's true that they're getting some additional income substantially, a substantial amount of additional income really, to kind of offset the lack of liquidity, my – when I originally wanted to ask a question was to ask you to kind of give us a couple of hypotheticals about how this could be resolved and what you've done that to some extent in your discussions and answering these other questions.

But it led to a couple of other inquiries from me which is it correct to assume and you've talked about what happened when the hedge funds decided to dump on the market.

You also said then that you still have a positive carry and that what might force you to decide to redeem the preferreds to cash out and cover that side of your carry would be that, you know, it's no longer positive and if I'm understanding it correctly that might be driven by LIBOR. There could be various events that happen in the marketplace.

But in effect, aren't you saying that if there was suddenly some kind of dramatic rise in rates well then wouldn't you be trying to sell that part of your portfolio into a market that was under an extreme amount of selling pressure and then have the risk of being forced to reduce your leverage and at the same time sell into a bad market?

And it would seem to me if that is a possibility or a reasonable scenario that you might look at this and say, you know, maybe now that things have calmed

down and actually there's some reasonable pricing it wouldn't be unreasonable to unwind this while it can be done at reasonable prices.

And then one other issue to address, you are trying obviously, you've said that, I appreciate that, to balance the difficulties that are being assumed by the preferred shareholders in not having access to their money.

And remember for a lot of those people that's almost the same as losing their money no matter how much you tell them there's no credit risk here. They don't have to worry about that. It's just a timing issue. They're still pretty nervous. You're trying to balance that with treating and taking care of your shareholders.

But when you look at both sides of that ledger, on the one hand you're talking about people that might have a million or a significant amount of money that is trapped and frozen in the preferred marketplace and on the other side of the ledger you have shareholders who might take a little bit of a hit on their distribution.

And when you compare – and maybe I'm not seeing something, tell me if that's true.

But when you balance that equation, I mean couldn't – shouldn't a time come here pretty quickly where you might decide to de-leverage and resolve this issue for the preferreds just because it's a much bigger issue for them?

Tony Clarizio: Well yeah, it's a really good point. I think the deleveraging issue is the last resort because while it's true that it would solve the case for the preferred, it does definitely also hurt the common in the sense that the yields and the dividends would drop and we would go lower there on the income.

But suddenly these funds in our case are either a par or even a slightly premium. If you delever, now all of a sudden they now can start trading at discounts and now you've got other issues too where common shareholders have more than just lower dividends and lower yields.

They have a market price which is below net asset value and potentially at a discount that ultimately hurts them.

So, I think there could be more effect than just a lower dividend and a lower yield to the common shareholders if you delevered not the least of which is these funds and they suddenly start trading at deep discounts which nobody ever likes on that front.

Caller #4: Well, me suggesting that the only solution here is to completely de-leverage is probably incorrect. Hopefully there are other mechanisms that can be put in place.

And also, I wouldn't suggest that this would have to be done all at once. Of course that really wouldn't make any sense.

But from the perspective that your shareholders have invested one assumes on a long term basis to get a reasonable, reliable source of tax free income.

And they know when they make that investment that they're going to have some market risk to their principal and they also know that there isn't a fixed rate of return. There is a reasonable expectation of course.

On the other hand, the people in the preferreds have invested more than anything for liquidity. They simply wanted a reasonable rate and in many

cases whether it was 3.25 or 3.50 really wasn't the issue. It was more, you know, I want to be able to get my money and I might as well get something reasonable going on here. Heck, they could have had a money market, right. This looks a little better.

But the real issue for them is I know I'm going to need that money at some set date very short term basis. I got to have it.

So when you again balance off those expectations and the unfulfilled expectation for the preferred people you have resolved their issue completely if they're cashed out. No more pain, no more problems.

For the shareholders it's really a short term issue, okay. For a little while they get a little less income. They see a little bit of market decline.

But they are originally investors who we expected to ride through the wave of market changes and variable income and this is just another valley.

Am I making sense there?

Tony Clarizio: Yeah, you are making sense. You're right. I don't disagree with any of that.

I just think that common shareholders also, existing shareholders in these closed-end funds when these things start to trade at 5 or 10% or 15% discounts because dividends have been cut or because they're not what they thought they owned or whatever, that becomes a major problem for them too. I mean it's a problem.

And frankly it's a problem of liquidity for them. They can't get out of (NAV) any more.

So I mean you're right. It solves the problem immediately for the preferred but on a longer term basis I think it hurts everybody.

And that's kind of why I think we are trying to come up with a solution and maybe that won't be the first thing we do.

Caller #4: Okay. Is there in fact a hypothetical here that you haven't discussed? A potential and of course we know it's hypothetical. Some general idea of when this might be resolved. You discussed the possibility of being forced to change gears because you've lost your advantage in the carry.

What other potential hypothetical might resolve this situation or is there anything out there?

I mean do you see the market calming down at some point or is there an expectation on your part that in fact maybe the dealers will kind of come back in or that this will get to a point where it'll start to look so good that they'll say hey, you know, we're missing something here?

David Eurkus: First as Tony said, very, very good, you should be on CNBC analyzing some of this.

You know what is reasonable is a great way for me to start with here because that's what you mentioned.

This is a first of this entire market and in balancing the stress and the strains of preferreds versus equity.

Let me jump in from my perspective as Portfolio Manager as I have to make interest rate calls and credit calls and funding calls.

One, I don't think prices are reasonable at all right now. I think they're still incredibly historically cheap.

So my professional opinion as a Portfolio Manager, I would not begin to delever because I feel you're selling municipal prices at still huge discounts.

And huge discounts viewed as a measurement of 110% of treasuries when the historical 10 year to 15 year mean has been about 88%.

And in the previous times, where the muni market has succeeded on a ratio basis, the treasury market within a six month timeframe you've had a significant drop in municipal yields and an increase in prices on tax exempt even though municipal or treasury yields don't have to go down any farther or appreciate.

In fact, treasury yields can actually go up with prices down. And munis will return to their historical mean over time.

And I think the municipal asset class on the intermediate and the long term end of the yield curve is still too much at a huge discount as measured by a substantial number of taxable buyers who are now beginning to buy significant quantities of tax exempt bonds because the asset class is just too cheap historically. In fact, it has never been this cheap relative to any other time in the modern financial markets that we've had.

Shareholders being compensated is a first for all of us.

And I understand what you're saying about the preferred holders versus the shareholders and now with this liquidity.

Again my answer is I honestly think this is going to clear up in a much sooner time period than drag on into the second or the middle or the second half of this year. That's my personal feeling.

There's a lot of dialogue going on. As I said earlier, it has a direct bearing on the financing of mother America, the infrastructure of the United States from hospital, healthcare, public and private education, power and energy and everything else that's related with it.

And a lot of this resolution may come in a form of new ideas. One that's being bandied around now is we get additional forms of liquidity through consortiums of financial institutions that may provide liquidity backup like a letter of credit or something.

So I don't have the answers but I think it's propitiate for you and for me to say this to you that I think you should give it some more time because we know there's a lot being discussed everyday.

We could clearly de-leverage if we had to right now. We could do 1% a week or 5% a week and cut it all down gradually as you pointed out. That's always been an option. We still have a big positive carry on that.

But we would only really think about closing out this leverage because if we think things were going to go to hell in a hand basket and if that were going to be the case we don't think because what we've just been through, the most violence ever in the short term markets, that the Feds are going to allow this to occur. There'll be some wraparound agreement that would be put in place to

ensure the financing in the short term markets because there's over \$300 billion every week being rolled over by tax exempt issuers.

Caller #4: Well I very much appreciate your comments and I also think what you have laid out here is a very reasonable scenario and that's what has made this manageable for me as that I kind of see it the same way. You can't have these dramatic aberrations in the market. They just don't last very long because at some point people are going to see the opportunity. It's going to rectify itself. I think that's a reasonable scenario.

David Eurkus: Right.

Caller #4: And I think that's an excellent response. So I appreciate it, thank you very much.

David Eurkus: Thank you.

Tony Clarizio: Great. Well I want to thank everybody for calling in and taking the time today. Some great questions. Special thanks to David Eurkus for his update on MAV and MHI and on the municipal market in general.

And let me just remind you again that this call can be – will be available for replay, 800-642-1687, ID Number 36584336. You can do that for one week starting from this call.

And we will post a transcript of this to our web site at [www.pioneerinvestments.com](http://www.pioneerinvestments.com).

END

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