

PART B

Colorado BondShares—A Tax-Exempt Fund
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Statement of Additional Information

January 28, 2022

This Statement of Additional Information expands upon and supplements the information contained in the current prospectus of Colorado BondShares—A Tax-Exempt Fund (the “Fund”), dated January 28, 2022 (the “Prospectus”). It should be read in conjunction with the Prospectus. This Statement of Additional Information is not in itself a prospectus and is incorporated by reference into the Prospectus in its entirety. Portions of the Prospectus and portions of the Fund’s most recent annual report are incorporated by reference into this Statement of Additional Information where indicated, and both are available, without charge, by writing or calling the Fund at the address or telephone number listed above, and are available, free of charge, on the Fund’s website at <https://www.coloradobondshares.com>.

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What Is Colorado BondShares—A Tax-Exempt Fund?

Colorado BondShares—A Tax-Exempt Fund (the “Fund”) is a diversified, open-end management investment company, or mutual fund, organized as a Massachusetts business trust on February 13, 1987. The Fund is authorized to issue an unlimited number of shares of beneficial interest. Each share has one vote.

What Are The Fund’s Investment Objectives, Investment Strategies, And Risks?

The Fund’s investment objectives, principal investment strategies, policies and principal risks that are discussed in the “Investment Objectives, Principal Investment Strategies, Related Risks, And Disclosure Of Portfolio Holdings” section of the Prospectus (including those relating to temporary defensive positions) are incorporated by reference into this Statement of Additional Information. The following information supplements and should be read in conjunction with the discussion of those investment objectives, principal investment strategies and related risks in the Prospectus.

In addition to tax-exempt bonds, other tax-exempt securities including tax-exempt notes (project notes, tax anticipation notes, revenue anticipation notes, bond anticipation notes, construction loan notes and auction rate securities), tax-exempt municipal leases, when-issued securities, floating rate and variable rate tax-exempt obligations, tax-exempt obligations issued in connection with special taxing districts and fixed-income securities that may be invested in by the Fund, and the risks that relate to those investments, all of which are described in the Prospectus and incorporated by reference into this Statement of Additional Information as set forth above, the following are some additional investments or investment strategies may be employed by the Fund and the related risks. The descriptions below appear in alphabetical order, not in order of importance.

Callable Bonds. The Fund may purchase and hold callable tax-exempt bonds that contain a provision in the indenture permitting the issuer to redeem the bonds prior to their maturity dates at a specified price which typically reflects a premium over the bonds’ original issue price. These bonds generally have call-protection (a period of time during which the bonds may not be called), which usually lasts for 7 to 10 years, after which time such bonds may be called away. An issuer may generally be expected to call its bonds, or a portion of them during periods of relatively declining interest rates, when borrowings may be replaced at lower rates than those obtained in prior years. If the proceeds of a bond called under such circumstances are reinvested, the result may be a lower overall yield due to lower current interest rates. If the purchase price of such bonds included a premium related to the appreciated value of the bonds, some or all of that premium may not be recovered by bondholders, such as the Fund, depending on the price at which such bonds were redeemed.

Commercial Paper. The Fund may invest in commercial paper. Commercial paper represents short-term unsecured promissory notes issued in bearer form by banks or bank holding companies, corporations and finance companies. The commercial paper purchased by the Fund consists of direct U.S. dollar denominated obligations of domestic or foreign issuers. Bank obligations in which the Fund may invest include certificates of deposit, bankers’ acceptances and fixed time deposits. Certificates of deposit are negotiable certificates issued against funds deposited in a commercial bank for a definite period of time and earning a specified return.

Bankers’ acceptances are negotiable drafts or bills of exchange, normally drawn by an importer or exporter to pay for specific merchandise, which are “accepted” by a bank, meaning, in effect, that the bank unconditionally agrees to pay the face value of the instrument on maturity. Fixed time deposits are bank obligations payable at a stated maturity date and bearing interest at a fixed rate.

Fixed time deposits may be withdrawn on demand by the investor but may be subject to early withdrawal penalties which vary depending upon market conditions and the remaining maturity of the obligation. There are no contractual restrictions on the right to transfer a beneficial interest in a fixed time deposit to a third party, although there is no market for such deposits. Bank notes and bankers’ acceptances rank junior to domestic deposit liabilities of the bank and *pari passu* with other senior, unsecured obligations of the bank. Bank notes are not insured by the Federal Deposit Insurance Corporation or any other insurer. Deposit notes are insured by the Federal Deposit Insurance Corporation only to the extent of \$250,000 per depositor per bank.

Custodial Receipts. The Fund may acquire custodial receipts in respect of U.S. Government securities. Such custodial receipts evidence ownership of future interest payments, principal payments or both on certain notes or bonds. These custodial receipts are known by various names, including Treasury Receipts, Treasury Investors Growth Receipts and Certificates of Accrual on Treasury Securities. For certain securities law purposes, custodial receipts are not considered U.S. Government securities.

Government Securities. The Fund may invest in U.S. Government securities, which are obligations issued or guaranteed by the U.S. Government and its agencies, authorities or instrumentalities, including states, territories and possessions of the United States and the District of Columbia, and their political subdivisions, agencies and instrumentalities. Certain U.S. Government securities, including U.S. Treasury bills, notes and bonds, and certificates issued by the Government National Mortgage Association (“Ginnie Mae”), are supported by the full faith and credit of the United States. Certain other U.S. Government securities, issued or guaranteed by federal agencies or government sponsored enterprises, are not supported by the full faith and credit of the United States, but may be supported by the right of the issuer to borrow from the U.S. Treasury. These securities include obligations issued by the Federal Home Loan Mortgage Corporation (“Freddie Mac”), and obligations supported by the credit of the instrumentality, such as those issued by the Federal National Mortgage Association (“Fannie Mae”). No assurance can be given that the U.S. Government will provide financial support to such federal agencies, authorities, instrumentalities and government sponsored enterprises in the future.

Hedging and Derivatives. Subject to compliance with the Fund’s fundamental policies set forth in the “What Are The Fund’s Investment Limitations?” section of this Statement of Additional Information, the 1940 Act and the rules and regulations of the SEC and the interpretative guidance relating thereto, the Fund may invest in certain derivatives and engage in hedging activities.

Derivatives are financial instruments that have a value which depends upon, or is derived from, the value of something else, such as one or more underlying securities, pools of securities, futures, indexes or currencies. Derivatives may be purchased on established exchanges or through privately negotiated transactions referred to as over-the-counter derivatives. Exchange-traded derivatives generally are guaranteed by the clearing agency which is the issuer or counterparty to such derivatives. This guarantee usually is supported by a variation margin system operated by the clearing agency in order to reduce overall credit risk. As a result, unless the clearing agency defaults, there is relatively little counterparty credit risk associated with derivatives purchased on an exchange. By contrast, no clearing agency guarantees over-the-counter derivatives. Therefore, each party to an over-the-counter derivative bears the risk that the counterparty will default. Accordingly, the Investment Adviser will consider the creditworthiness of counterparties to over-the-counter derivatives in the same manner as it would review the credit quality of a security to be purchased by the Fund. Over-the-counter derivatives are less liquid than exchange-traded derivatives since the other party to the transaction may be the only investor with sufficient understanding of the derivative to be interested in bidding for it.

Subject to compliance with the Fund’s fundamental investment policies, the 1940 Act and the rules and regulations of the SEC and the interpretative guidance relating thereto, some derivatives the Fund may use may involve leverage (e.g., an instrument linked to the value of a securities index may return income calculated as a multiple of the price movement of the underlying index). This economic leverage will increase the volatility of these instruments as they may increase or decrease in value more quickly than the underlying security, index, futures contract, or other economic variable. Pursuant to regulations and guidance published by the SEC, the Fund may be required to segregate permissible liquid assets, or engage in other measures approved by the SEC or its staff, to “cover” the Fund’s obligations relating to its transactions in derivatives.

Derivatives can be volatile and involve various types and degrees of risk, depending upon the characteristics of the particular derivative and the portfolio as a whole. Derivatives permit the Fund to increase or decrease the level of risk, or change the character of the risk, to which its portfolio is exposed in much the same way as the Fund can increase or decrease the level of risk, or change the character of the risk, of its portfolio by making investments in specific securities. However, derivatives may entail investment exposures that are greater than their cost would suggest, meaning that a small investment in derivatives could have a large potential impact on the Fund’s performance. If the Fund invests in derivatives at inopportune times or judges market conditions incorrectly, such investments may lower the Fund’s return or result in a loss. Derivative instruments in which the Fund may invest will typically increase the Fund’s exposure to the principal risks described in the Prospectus to which it is otherwise exposed, and may expose the Fund to additional risks, including correlation risk, counterparty credit risk, hedging risk, leverage risk, and liquidity risk.

Correlation risk is related to hedging risk and is the risk that there may be an incomplete correlation between the hedge and the opposite position, which may result in increased or unanticipated losses. Counterparty credit risk is the risk that a counterparty to the derivative instrument becomes bankrupt or otherwise fails to perform its obligations due to financial difficulties, and the Fund may obtain no recovery of its investment or may only obtain a limited recovery, and any recovery may be delayed. Hedging risk is the risk that derivative instruments used to hedge against an opposite position may offset losses, but they may also offset gains. There is no guarantee that a hedging strategy will eliminate the risk which the hedging strategy is intended to offset, which may lead to losses within the Fund. Leverage risk is the risk that losses from the derivative instrument may be greater than the amount invested in the derivative instrument. Liquidity risk is the risk that the derivative instrument may be difficult or impossible to sell or terminate, which may cause the Fund to be in a position to do something the Investment Adviser would not otherwise choose, including accepting a lower price for the derivative instrument, selling other investments or foregoing another, more appealing investment opportunity. Derivative instruments which are not traded on an exchange, including, but not limited to, forward contracts, swaps and over-the-counter options, may have increased liquidity risk. Certain derivatives have the potential for unlimited losses, regardless of the size of the initial investment. Additionally, certain derivative instruments when held in the Fund's portfolio subject the Fund to special tax rules, the effect of which may be to accelerate income to the Fund, defer fund losses, cause adjustments in the holding periods of the Fund's portfolio securities, convert capital gains into ordinary income and convert short-term capital losses into long-term capital losses. These rules could therefore affect the amount, timing and/or character of distributions to shareholders, and may also generate taxable income to the Fund.

Subject to compliance with the Fund's fundamental policies set forth in the "What Are The Fund's Investment Limitations?" section of this Statement of Additional Information, the 1940 Act and the rules and regulations of the SEC and the interpretative guidance relating thereto, the following is a brief description of certain derivatives that may be invested in by the Fund.

Futures Contracts (Other than Commodities Futures Contracts). A futures contract may generally be described as an agreement between two parties to buy and sell particular financial instruments for an agreed price during a designated month (or to deliver the final cash settlement price, in the case of a contract relating to an index or otherwise not calling for physical delivery at the end of trading in the contract). Positions taken in the futures markets are not normally held to maturity but are instead liquidated through offsetting transactions which may result in a profit or a loss. While futures contracts on securities will usually be liquidated in this manner, the Fund may instead make, or take, delivery of the underlying securities whenever it appears economically advantageous to do so. A clearing corporation associated with the exchange on which futures contracts are traded guarantees that, if still open, the sale or purchase will be performed on the settlement date.

Hedging is an attempt to establish with more certainty than would otherwise be possible the effective price or rate of return on portfolio securities or securities that the Fund proposes to acquire. When interest rates are rising or securities prices are falling, the Fund can seek to offset a decline in the value of its current portfolio securities through the sale of futures contracts. When interest rates are falling or securities prices are rising, the Fund, through the purchase of futures contracts, can attempt to secure better rates or prices than might later be available in the market when it affects anticipated purchases.

The Fund may take a short position in the futures market by selling futures contracts in an attempt to hedge against an anticipated rise in interest rates or a decline in market prices that would adversely affect the value of the Fund's portfolio securities. The Fund may take a long position by purchasing futures contracts in certain circumstances, such as when the Fund anticipates the subsequent purchase of particular securities when it has the necessary cash, but expects the prices then available in the applicable market to be less favorable than prices that are currently available.

Transactions in futures contracts involve brokerage costs, require margin deposits and, in the case of contracts and options obligating the Fund to purchase securities, require the Fund to establish a segregated account consisting of cash or liquid securities in an amount equal to the underlying value of such contracts. While transactions in futures contracts on futures may reduce certain risks, these transactions themselves entail certain other risks. For example, unanticipated changes in interest rates or securities prices may result in a poorer overall performance for the Fund than if it had not entered into any futures contracts transactions. Perfect correlation between the Fund's futures positions and portfolio positions will be impossible to achieve. In the event of an imperfect correlation between a futures position and a portfolio position that is intended to be protected, the desired protection may not be obtained, and the Fund may be exposed to risk of loss. Some futures contracts may become illiquid under adverse market conditions or their trading may be suspended or limited during periods of market volatility by the applicable exchange.

Inverse Floaters. The Fund may invest in residual interest Tax-Exempt Obligations whose interest rates bear an inverse relationship to the interest rate on another security or the value of an index (“inverse floaters”) in an amount not exceeding in the aggregate 10% of the value of the Fund’s total assets. An investment in inverse floaters may involve greater risk than an investment in a fixed-rate Tax-Exempt Obligation. Because changes in the interest rate on the other security or index inversely affect the residual interest paid on the inverse floater, the value of an inverse floater is generally more volatile than that of a fixed-rate Tax-Exempt Obligation. Inverse floaters have interest rate adjustment formulas which generally reduce or, in the extreme, eliminate the interest paid to the Fund when short-term interest rates rise, and increase the interest paid to the Fund when short-term interest rates fall. Investing in inverse floaters involves leveraging which may magnify the Fund’s gains or losses. Although volatile, inverse floaters typically offer the potential for yields exceeding the yields available on fixed-rate Tax-Exempt Obligations with comparable credit quality, coupon, call provisions and maturity. These securities usually permit the investor to convert the floating rate to a fixed rate (normally adjusted downward), and this optional conversion feature may provide a partial hedge against rising rates if exercised at an opportune time.

Inverse floaters typically are derivative instruments created by depositing Tax-Exempt Obligations in a trust which divides the bond’s income stream into two parts: a short-term variable rate demand note and a residual interest bond (the inverse floater) which receives interest based on the remaining cash flow of the trust after payment of interest on the note and various trust expenses. Interest on the inverse floater usually moves in the opposite direction as the interest on the variable rate demand note. The Fund may either participate in structuring an inverse floater or purchase an inverse floater in the secondary market. When structuring an inverse floater, the Fund will transfer to a trust fixed rate Tax-Exempt Obligations held in the Fund’s portfolio. The trust then typically issues the inverse floaters and the variable rate demand notes that are collateralized by the cash flows of the fixed rate Tax-Exempt Obligations. In return for the transfer of the Tax-Exempt Obligations to the trust, the Fund receives the inverse floaters and cash associated with the sale of the notes from the trust. For accounting purposes, the Fund treats these transfers as part of a secured borrowing or financing transaction (not a sale), and the interest payments and related expenses due on the notes issued by the trusts and sold to third parties as liabilities of the Fund. Inverse floaters purchased in the secondary market are treated as the purchase of a security and not as a secured borrowing or financing transaction.

Swaps, Caps, Floors and Collars. As one way of managing its exposure to different types of investments, the Fund may enter into interest rate swaps, and other types of swap agreements such as caps, collars and floors. In a typical interest rate swap, one party agrees to make regular payments equal to a floating interest rate times a “notional principal amount,” in return for payments equal to a fixed rate times the same amount, for a specified period of time. If a swap agreement provides for payment in different currencies, the parties might agree to exchange the notional principal amount as well. Swaps also may depend on other prices or rates, such as the value of an index or mortgage prepayment rates.

In a typical cap or floor agreement, one party agrees to make payments only under specified circumstances, usually in return for payment of a fee by the other party. For example, the buyer of an interest rate cap obtains the right to receive payments to the extent that a specified interest rate exceeds an agreed-upon level, while the seller of an interest rate floor is obligated to make payments to the extent that a specified interest rate falls below an agreed-upon level. An interest rate collar combines elements of buying a cap and selling a floor.

Swap agreements will tend to shift the Fund’s investment exposure from one type of investment to another. Caps and floors have an effect similar to buying or writing options. Depending on how they are used, swap agreements may increase or decrease the overall volatility of the Fund’s investments and its share price and yield.

Swap agreements are sophisticated hedging instruments that typically involve a small investment of cash relative to the magnitude of risks assumed. As a result, swaps can be highly volatile and may have a considerable impact on the Fund’s performance. Swap agreements are subject to risks related to the counterpart’s ability to perform and may decline in value if the counterpart’s credit worthiness deteriorates. The Fund also may suffer losses if it is unable to terminate outstanding swap agreements or reduce its exposure through offsetting transactions. The Fund will maintain in a segregated account with the custodian, cash or liquid, high grade debt securities equal to the net amount, if any, of the excess of the Fund’s obligations over its entitlement with respect to swap, cap, collar or floor transactions.

Illiquid Securities. The Fund may invest up to 10% of the value of its net assets in securities that do not have a liquid trading market as long as these illiquid investments are consistent with the Fund’s investment objective. Such securities may include securities that are not readily marketable, such as securities that are subject to legal or contractual restrictions on resale, and repurchase agreements providing for settlement in more than seven days after notice. As to these securities, the Fund is subject to a risk that should the Fund desire to sell them when a ready buyer is not available at a price the Fund deems representative of their value, the value of the Fund’s net assets could be adversely affected. The Investment Adviser,

in determining whether securities (including restricted securities) will be considered illiquid, subject to the oversight of the Board, will take into account various factors, such as the frequency and volume of trading, the commitment of dealers to make markets and the availability of qualified investors, the number of dealers wishing to purchase or sell the security, the number of other potential purchasers, the nature of the security and the trades of the security (such as the time needed to dispose of the security, the method of sale and the mechanics of transfer) and the availability of information, all of which can change from time to time. The Fund may incur certain additional costs in disposing of illiquid securities.

Investment Companies. The Fund may invest in securities issued by other investment companies. Under the Investment Company Act of 1940, as amended (the “1940 Act”), the Fund’s investment in such securities, subject to certain exceptions, currently is limited as set forth in the fundamental investment limitation in clause (i) below. As a shareholder of another investment company, the Fund would bear, along with other shareholders, its pro rata portion of the other investment company’s expenses, including advisory fees. These expenses would be in addition to the advisory fees and other expenses that the Fund bears directly in connection with its own operations. The Fund also may invest its uninvested cash reserves or cash it receives as collateral from borrowers of its portfolio securities in connection with the any securities pledged or mortgaged as described in the fundamental investment limitations (e) and (n) in the “What Are The Fund’s Investment Limitations?” section of the Statement Additional Information and the “Additional Information About The Fund’s Fundamental Investment Policies” subsection thereof, in shares of one or more money market funds advised by the Investment Adviser, subject to the limitations relating to those fundamental investment limitations and not to the limitations described above.

Maturity. There are no restrictions on the maturity composition of the portfolio, although it is anticipated that the average maturity of the Fund’s portfolio in the aggregate would be between five and 15 years. Under normal market conditions, longer term securities yield more than shorter term securities, but are subject to greater price fluctuations.

Municipal Commercial Paper. Municipal commercial paper is a short-term obligation of a municipality, generally issued at a discount with a maturity of less than one year. Such paper is likely to be issued to meet seasonal working capital needs of a municipality or interim construction financing. Municipal commercial paper is backed in many cases by letters of credit, lending agreements, note repurchase agreements or other credit facility agreements offered by banks and other institutions.

Other Indexed Securities. In addition to PLNs and inverse floaters, the Fund may invest in other indexed securities, including floating rate securities that are subject to a maximum interest rate (“capped floaters”). The interest rate or, in some cases, the principal payable at the maturity of an indexed security may change positively or inversely in a relation to one or more interest rates, financial indices, or other financial indicators (“reference prices”). An indexed security may be leveraged to the extent that the magnitude of any change in the interest rate or principal payable on an indexed security is a multiple of the change in the reference price, and any such leveraged securities acquired by the Fund are limited to an amount not to exceed in the aggregate 10% of the value of the Fund’s total assets. Thus, indexed securities may decline in value due to adverse market changes in interest rates or other reference prices.

Other Opportunities. The Fund may take advantage of opportunities in investments which are not presently contemplated for use by the Fund or which are not currently available but which may be developed, to the extent such opportunities are both consistent with the Fund’s investment objective and legally permissible for the Fund. Before the Fund enters into such transactions or makes any such investment, the Fund will provide appropriate disclosure in its Prospectus or Statement of Additional Information.

Participation Interests. The Fund may purchase participation interests that give the Fund an undivided pro rata interest in a Tax-Exempt Obligation. A participation interest gives the Fund an undivided interest in the Tax-Exempt Obligation in the proportion that the Fund’s participation interest bears to the total amount of the Tax-Exempt Obligation. For certain participation interests, the Fund will have the right to demand payment, on a specified number of days’ notice for all or any part of the Fund’s participation interest in the Tax-Exempt Obligation plus accrued interest. Participation interests, that are determined to be not readily marketable, will be considered illiquid for purposes of the Fund’s restriction on investment in illiquid securities as described in the “What Are The Fund’s Investment Limitations?” section of this Statement of Additional Information.

The Fund also may invest in certificates of participation (“COPs”), which provide participation interests in lease revenues. Each COP represents a proportionate interest in or right to the lease-purchase payment made under tax-exempt municipal lease obligations or installment sales contracts. Typically, tax-exempt municipal lease obligations are issued by a state or municipal financing authority to provide funds for the construction of facilities (e.g., schools, dormitories, office buildings or prisons) or the acquisition of equipment. The facilities are typically used by the state or municipality pursuant to a lease with a financing authority. Certain municipal lease obligations may trade infrequently. Accordingly, COPs will be monitored pursuant to analysis by the Investment Adviser, and reviewed according to procedures adopted by the Board, which considers various factors in determining liquidity risk. COPs will not be considered illiquid for purposes of the Fund’s limitation on illiquid securities, provided that the Investment Adviser determines that there is a readily available market for such securities. An investment in COPs is subject to the risk that a municipality may not appropriate sufficient funds to meet payments on the underlying lease obligation. With respect to determinations of liquidity for municipal lease obligations, in addition to the considerations described below under “Illiquid Securities,” the Investment Adviser also considers such factors as the willingness of the municipality to continue, annually or biannually, to appropriate funds for payment of the lease, general credit quality of the municipality and the lessee, the importance of the property to the municipality of the property covered by the lease (and the related risk of a failure to appropriate, whether the lease can be cancelled, whether the assets represented by the lease can be sold, the legal recourse available if the municipality fails to appropriate and any other relevant factors the Investment Adviser determines appropriate to review.

Pay-In-Kind, Step-Coupon and Zero-Coupon Securities. These securities are debt obligations that do not make regular cash interest payments. Zero-coupon and step-coupon securities are sold at a deep discount to their face value because they do not pay interest until maturity. Pay-in-kind securities pay interest through the issuance of additional securities. Because these securities do not pay current cash income, the price of these securities can be extremely volatile when interest rates fluctuate.

Percentage of LIBOR Notes (PLNs). The Fund may invest in percentage of LIBOR notes (“PLNs”) which are variable rate Tax-Exempt Obligations based on the London Interbank Offered Rate (“LIBOR”), a widely used benchmark for short-term interest rates and used by banks for interbank loans with other banks. The PLN typically pays interest based on a percentage of a LIBOR rate for a specified time plus an established yield premium. Due to their variable rate features, PLNs will generally pay higher levels of income in a rising short-term interest rate environment and lower levels of income as short-term interest rates decline. In times of substantial market volatility, however, the PLNs may not perform as anticipated. The value of a PLN also may decline due to other factors, such as changes in credit quality of the underlying Tax-Exempt Obligation.

The Fund also may invest in PLNs that are created when a broker-dealer/sponsor deposits a Tax-Exempt Obligation into a trust created by the sponsor. The trust issues a percentage of LIBOR floating rate certificate (i.e., the PLN) to the Fund and a residual interest certificate to third parties who receive the remaining interest on the Tax-Exempt Obligation after payment of the interest distribution to the PLN holder and other fees.

Because the market for PLNs is relatively new and still developing, the Fund’s ability to engage in transactions using such instruments may be limited. There is no assurance that a liquid secondary market will exist for any particular PLN or at any particular time, and so the Fund may not be able to close a position in a PLN when it is advantageous to do so.

Ratings of Tax-Exempt Obligations. The Fund will invest primarily in Tax-Exempt Obligations that are not rated by a Nationally Recognized Statistical Rating Organization, but that the Investment Adviser determines are of equivalent quality to investments rated no less than investment grade (“Baa”) by Moody’s Investors Service, Inc. (“Moody’s”) or “BBB” by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”). The Fund is not restricted in the amount of not rated Tax-Exempt Obligations in which it can invest, and no more than 50% of its investments can be invested in rated Tax-Exempt Obligations. The Fund may also invest in Tax-Exempt Obligations that are rated below investment grade by a Nationally Recognized Statistical Rating Organization, or that are determined to have equivalent quality as determined by the Investment Adviser. Less than 35% of the Fund’s total assets will be invested in Tax-Exempt Obligations that are rated lower than investment grade (“Baa” by Moody’s or “BBB” by S&P), or that are determined to have equivalent below investment grade quality by the Investment Adviser at the time of purchase. The Tax-Exempt Obligations that are below investment grade may also include securities rated “Ba1” and “BB+” or below, which are sometimes referred to as “junk bonds.” Some of the securities in which the Fund invests may have credit and liquidity support features, including guarantees and letters of credit. Obligations which are not rated generally offer higher yields than Tax-Exempt Obligations with equivalent quality that are rated, but also are generally subject to higher risk.

Subsequent to its purchase by the Fund, an issue of rated Tax-Exempt Obligations may cease to be rated or its rating may be reduced below the requirements set forth above (or, if not rated, the Investment Adviser determines that a Tax-exempt Obligation is no longer of equivalent quality). None of these events will require the sale of such Tax-Exempt Obligations by the Fund, but the Investment Adviser will consider such event in determining whether the Fund should continue to hold the Tax-Exempt Obligations. To the extent that the ratings given by a Nationally Recognized Statistical Rating Organization for Tax-Exempt Obligations may change as a result of changes in such organizations or its rating system, the Fund will attempt to use comparable ratings as standards for its investments in accordance with the investment policies described in the Prospectus and this Statement of Additional Information. The ratings of the Rating Agencies represent their opinions as to the quality of the Tax-Exempt Bonds which they undertake to rate. It should be emphasized, however, that ratings are relative and subjective and are not absolute standards of quality. Although these ratings may be an initial criterion for selection of some of the portfolio investments of the Fund, the Investment Adviser will evaluate these securities and the creditworthiness of the issuers of such securities.

Repurchase Agreements. The Fund may enter into repurchase agreements for the purpose of realizing additional (taxable) income. In a repurchase agreement, the Fund buys a security for a relatively short period (generally not more than 7 days) subject to the obligation to sell it back to the issuer at a fixed time and price plus accrued interest. The Fund will enter into repurchase agreements only with member banks of the Federal Reserve System and with “primary dealers” in U.S. Government securities. The Fund has adopted procedures requiring the Board to evaluate the creditworthiness of the parties with whom the Funds enter into repurchase agreements. In making these determinations, the Board will rely on information provided by the Investment Adviser.

The Fund has established a procedure providing that the securities serving as collateral for each repurchase agreement must be delivered to the Fund’s custodian either physically or in book-entry form and that the collateral must be marked to market daily to ensure that each repurchase agreement is fully collateralized at all times. In the event of bankruptcy or other default by a seller of a repurchase agreement, the Fund could experience delays in, or be prevented from, liquidating the underlying securities and could experience losses, including the possible decline in value of the underlying securities during the period while the Fund seeks to enforce its rights thereto, possible subnormal levels of income and decline in value of the underlying securities or lack of access to income during this period, as well as, the expense of enforcing its rights.

Restricted Securities. The Fund may purchase securities that are not registered (“restricted securities”) under the Securities Act of 1933, as amended (the “1933 Act”), including commercial paper issued in reliance on Section 4(a)(2) of the 1933 Act and securities offered and sold to “qualified institutional buyers” under Rule 144A under the 1933 Act. The Fund will not invest more than 10% of its net assets in illiquid investments. If the Board determines, based upon a continuing review of the trading markets for specific Section 4(a)(2) or Rule 144A securities, that they are liquid, they will not be subject to the 10% limit on illiquid securities. The liquidity of restricted securities is determined by the Investment Adviser, subject to the oversight of the Board, as described above under “—Illiquid Securities.” This investment practice could have the effect of increasing the level of illiquidity in the Fund if qualified institutional buyers become for a time uninterested in purchasing these restricted securities.

Reverse Repurchase Agreements, “Roll” Transactions and Other Borrowings. The Fund may enter into reverse repurchase agreements or “roll” transactions. A reverse repurchase agreement involves the sale of a security by the Fund and its agreement to repurchase the security at a specified time and price in the future. A “roll” transaction involves the sale of securities together with a commitment to purchase similar, but not identical, securities at a later date. The Fund assumes the risk of price and yield fluctuations during the time of the commitment. The Fund will segregate liquid assets that will be marked to market daily in an amount sufficient to meet its payment obligations under “roll” transactions and reverse repurchase agreements with broker-dealers (no collateral is required for reverse repurchase agreements with banks). Reverse repurchase agreements and “roll” transactions are considered to be borrowings by the Fund, and involve the risk that the market value of securities purchased by the Fund with proceeds of the transaction may decline below the price of the securities sold by the Fund which it is obligated to purchase. The Fund will not enter into reverse repurchase agreements, “roll” transactions or other borrowings exceeding in the aggregate 10% of the value of the Fund’s total assets. The Fund will also continue to be subject to the risk of a decline in the market value of the securities sold under the agreements because it will reacquire those securities upon effecting their purchase. To minimize various risks associated with reverse repurchase agreements, the Fund will establish a separate account consisting of highly liquid, marketable securities in an amount at least equal to the repurchase prices of these securities (plus accrued interest thereon) under such agreements. In addition, the Fund will not purchase additional securities while all borrowings exceed 5% of the value of the Fund’s total assets. The Fund will enter into reverse repurchase agreements only with federally insured banks or savings and loan associations which are approved in advance as being creditworthy by the Board. Under procedures established by the Board, the Investment Adviser will monitor the creditworthiness of the banks or savings and loan associations involved.

Short-Term Trading. The Fund may engage in short-term trading consistent with its investment objective and with the goal of the Investment Adviser to keep the Fund's portfolio turnover rate at or below 20% per year. Securities with a maturity date of one year or less at the time of acquisition are excluded from the portfolio turnover rate calculation. Securities may be sold in anticipation of a market decline (a rise in interest rates) or purchased in anticipation of a market rise (a decline in interest rates). In addition, a Tax-Exempt Obligation may be sold and another security of comparable quality purchased at approximately the same time to take advantage of what the Investment Adviser believes to be a temporary disparity in the normal yield relationship between the two Tax-Exempt Obligations. These yield disparities may occur for reasons not directly related to the investment quality of particular issues or the general movement of interest rates, such as changes in the overall demand for, or supply of, various types of Tax-Exempt Obligations. In general, purchases and sales also may be made to restructure the portfolio in terms of average maturity, quality, coupon yield or diversification for various purposes that are consistent with the Fund's investment objective, or for temporary defensive positions that are inconsistent with the Fund's principal investment strategies in attempting to respond to adverse market, economic, political, or other conditions.

Structured or Hybrid Notes. The Fund may invest in "structured" or "hybrid" notes. The distinguishing feature of a structured or hybrid note is that the amount of interest and/or principal payable on the note is based on the performance of a benchmark asset or market other than fixed income securities or interest rates. Examples of these benchmarks include stock prices, currency exchange rates and physical commodity prices. Investing in a structured note allows the Fund to gain exposure to the benchmark market while fixing the maximum loss that the Fund may experience in the event that market does not perform as expected. Depending on the terms of the note, the Fund may forego all or part of the interest and principal that would be payable on a comparable conventional note; the Fund's loss cannot exceed this foregone interest and/or principal. An investment in structured or hybrid notes involves risks similar to those associated with a direct investment in the benchmark asset.

Temporary Investments. As described in the Prospectus and this Statement of Additional Information, the Fund may, from time to time, take temporary defensive positions that are inconsistent with the Fund's principal investment strategies in attempting to respond to adverse market, economic, political, or other conditions. These temporary positions may include engaging in short-term trading or shortening or lengthening the maturity of the investments of the Fund. For example, as a result of the Fund's belief in 2005-2008 that long-term yields were not sufficiently higher than short-term yields to justify making extremely long-term investments, the Fund had a higher concentration in short-term Tax-Exempt Obligations (many of which were rated rather than not rated) such as variable rate demand obligations that have a demand feature allowing the Fund to tender the obligation often on very short notice (seven days) as more fully described in the Prospectus under "What are Tax-Exempt Obligations?"

The Fund may, on a temporary basis, invest up to 50% of the value of its net assets in Tax-Exempt Obligations, the interest on which is exempt from regular federal income tax, but not Colorado personal income tax. Such Tax-Exempt Obligations would include those which are set forth under "What are Tax-Exempt Obligations?" section of the Prospectus and which would otherwise meet the Fund's objectives. This may be done if, in the judgment of the Investment Adviser (through the portfolio manager), sufficient Colorado Tax-Exempt Obligations are not available for purchase, for temporary defensive purposes or to meet the cash needs of the Fund.

The Fund also may invest up to 20% of the value of its net assets in fixed-income securities, the interest on which is subject to federal, state and local income tax. This may be done (a) pending the investment or reinvestment in Tax-Exempt Obligations, (b) in order to avoid the necessity of liquidating portfolio investments to meet redemptions of shares by investors, or (c) where market conditions due to rising interest rates or other adverse factors warrant temporary investing for defensive purposes. For purposes of this paragraph, the term "fixed-income securities" shall include only securities issued or guaranteed by the United States Government (such as bills, notes and bonds), its agencies, instrumentalities or authorities, and certificates of deposit of domestic banks which have capital, surplus and undivided profits of over \$1 billion and which are members of the Federal Deposit Insurance Corporation. The Fund may also invest in other taxable securities if, and only if, such investment is necessary to preserve the Fund's lien in a foreclosure or other similar proceeding. In addition to short-term investing in fixed-income securities, it is a fundamental policy of the Fund that it may invest up to 10% of the value of its net assets in the shares of registered investment companies which qualify as money market funds, the distributions from which are exempt from federal income taxation.

In connection with a potential default in the payment on portfolio securities held by the Fund, the Fund may also invest in other taxable securities if, and only if, such investment is necessary to preserve the Fund's lien in a foreclosure or other similar proceeding.

Tender Option Bonds. The Fund may purchase tender option bonds. A tender option bond is a tax-exempt bond (generally held pursuant to a custodial arrangement) having a relatively long maturity and bearing interest at a fixed rate substantially higher than prevailing short-term tax-exempt rates, that has been coupled with the agreement of a third party, such as a bank, broker-dealer or other financial institution, pursuant to which such institution grants the security holders the option, at periodic intervals, to tender their securities to the institution and receive the face value thereof. As consideration for providing the option, the financial institution receives periodic fees equal to the difference between the tax-exempt bond's fixed coupon rate and the rate, as determined by a remarketing or similar agent at or near the commencement of such period, that would cause the securities, coupled with the tender option, to trade at par on the date of such determination. Thus, after payment of this fee, the security holder effectively holds a demand obligation that bears interest at the prevailing short-term tax-exempt rate. The Investment Adviser, on behalf of the Fund, will consider on an ongoing basis the creditworthiness of the issuer of the underlying tax-exempt bond, of any custodian and of the third-party provider of the tender option. In certain instances, and for certain tender option bonds, the option may be terminable in the event of a default in payment of principal or interest on the underlying tax-exempt bond and for other reasons.

The Fund will purchase tender option bonds only when the Investment Adviser is satisfied that the custodial and tender option arrangements, including the fee payment arrangements, will not adversely affect the tax-exempt status of the underlying tax-exempt bond and that payment of any tender fees will not have the effect of creating taxable income for the Fund. Based on the tender option bond agreement, the Fund expects to be able to value the tender option bond at par; however, the value of the instrument will be monitored to assure that it is valued at fair value.

Tobacco Related Bonds. The Fund may invest in two types of tobacco related bonds, including tobacco settlement revenue bonds, for which payments of interest and principal are made solely from a state's interest in the Master Settlement Agreement ("MSA") and tobacco bonds subject to a state's appropriation pledge, for which payments may come from both the MSA revenue and the applicable state's appropriation pledge.

Tobacco settlement revenue bonds are secured by an issuing state's proportionate share in the MSA, a litigation settlement agreement reached out of court in November 1998 between 46 states and six other U.S. jurisdictions and the four largest U.S. tobacco manufacturers at that time (additional smaller manufacturers have subsequently signed onto the MSA). The MSA provides for annual payments by the manufacturers to the states and other jurisdictions in perpetuity, with a base payment schedule and a formula for adjusting payments each year. Tobacco manufacturers pay into a master escrow trust based on their market share and each state receives a fixed percentage of the payment. A number of states have securitized the future flow of those payments by selling bonds, some through distinct governmental entities created for such purpose. The bonds are backed by the future revenue flows from the tobacco manufacturers. Annual payments on the bonds, and thus the risk to the Fund, are highly dependent on the receipt of future settlement payments. The amount of future settlement payments is dependent on many factors including, but not limited to, annual domestic cigarette shipments, cigarette consumption, inflation, and the financial capability of participating tobacco companies. As a result, payments made by tobacco manufacturers could be reduced if the decrease in tobacco consumption is significantly greater than the forecasted decline. A market share loss by the MSA companies to non-MSA participating tobacco manufacturers could also cause a downward adjustment in the payment amounts. A participating manufacturer filing for bankruptcy also could cause delays or reductions in bond payments, which could affect the value of any such securities held by the Fund. The MSA and tobacco manufacturers have been and continue to be subject to various legal claims and an adverse outcome could affect the payment streams associated with the MSA or cause delays or reductions in bond payments. The MSA itself has been subject to legal challenges and has, to date, withstood those challenges.

Tobacco bonds that are subject to a state's appropriation pledge may also be invested in by the Fund. These tobacco bonds rely on both the revenue source from the MSA and a state appropriation pledge. These tobacco bonds are, similar to various other municipal bonds, subject to state appropriation. While the laws of different states may vary, generally bonds that are subject to appropriation are typically payable from a dedicated revenue source such as a municipal enterprise, a special tax or, in the case of tobacco bonds, the MSA funds, and also from the general funds of the issuer. Appropriation debt differs from a state's general obligation debt in that general obligation debt is backed by the state's full faith, credit and taxing power, while appropriation debt requires the state to pass a specific periodic appropriation to pay interest and/or principal on the bonds,

which is often made annually. Although tobacco bonds that are subject to a state's appropriation pledge offer an enhanced credit support feature, that feature is generally not an unconditional guarantee of payment by a state and states generally do not pledge the full faith, credit or taxing power of the state.

What Are The Fund's Investment Limitations?

Under the Fund's fundamental policies, which cannot be changed unless either: (1) a majority of outstanding voting securities vote in favor of the proposal, or (2) at a shareholder meeting in which at least half of the outstanding voting securities are represented, two-thirds of the outstanding voting securities at that meeting vote in favor of the proposal, the Fund may not:

- (a) issue senior securities;
- (b) invest more than 10% of the value of its total assets in the aggregate in restricted or not readily marketable securities or in repurchase agreements maturing or terminable in more than seven days or in illiquid assets;
- (c) invest less than 80% of the value of its net assets (plus the amount of any borrowings for investment purposes) in Tax-Exempt Obligations the interest on which is exempt from regular federal income taxes and from Colorado personal income tax and which is not subject to the alternative minimum tax (the limitation on alternative minimum tax was adopted by the Fund effective April 9, 2004);
- (d) borrow money, except from banks for temporary purposes and in an amount not to exceed 10% of the value of its total assets at the time the borrowing is made;
- (e) mortgage or pledge any of its assets, except to secure permitted borrowings noted above, and subject to the limitations applicable to any such mortgage or pledge pursuant to the 1940 Act (currently no more than one-third of the Fund's assets);
- (f) invest 25% or more of its total assets at market value in issuers of any one industry (determined by reference to the current Directory of Companies Filing Annual Reports with the Securities and Exchange Commission, published by the Securities and Exchange Commission), provided that, with respect to Tax-Exempt Obligations issued by the State of Colorado, its political subdivisions, municipalities and public authorities, the identity of the issuer shall be determined with reference to the applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations promulgated thereunder;
- (g) as to 75% of the value of its total assets, purchase securities of any issuer if immediately thereafter more than 5% of its total assets at market value would be invested in the securities of any issuer;
- (h) acquire securities in other investment companies, if the total amount so invested would have an aggregate value in excess of 10% of the value of the total assets of the Fund;
- (i) acquire more than 3% of the total outstanding voting stock of any one investment company, or acquire securities in any one investment company which securities have an aggregate value in excess of 5% of the value of the total assets of the Fund;
- (j) purchase or hold any real estate, except that the Fund may invest in securities secured by real estate or interests therein or issued by persons (other than real estate investment trusts) which deal in real estate or interests therein;
- (k) purchase or hold the securities of any issuer, if to its knowledge, trustees or officers of the Fund individually owning beneficially more than 0.5% of the securities of that issuer own in the aggregate more than 5% of such securities;
- (l) write or purchase put, call, straddle or spread options, purchase securities on margin or sell "short," or underwrite the securities of other issuers;
- (m) purchase or sell commodities or commodity contracts, including commodity futures contracts; or

- (n) make loans except to the extent that the purchase of notes, bonds or other evidences of indebtedness or the entry into repurchase agreements or deposits with banks may be considered loans.

Under the Investment Act of 1940, as amended (the “1940 Act”), a “vote of a majority of the outstanding voting securities” of the Fund means the affirmative vote of the lesser of (1) more than 50% of the outstanding shares of the Fund or (2) 67% or more of the shares of the Fund present at a shareholders’ meeting if more than 50% of the outstanding shares of the Fund are represented at the meeting in person or by proxy.

If a percentage restriction on investment or utilization of assets as set forth above is adhered to at the time an investment is made, a later change in percentage resulting from changes in the value of the Fund’s assets will not be considered a violation of the restriction or require the Fund to sell securities. However, with respect to clause (b) above, if illiquid assets of the Fund exceed the amount then permitted under the 1940 Act as described below, the Fund must take steps to reduce the amount of those illiquid assets. Similarly, with respect to borrowings by the Fund referenced in clause (d) above and any assets pledged to support those borrowings referenced in clause (e) above, if those amounts exceed the amounts permitted by the 1940 Act as described below as a result of changes in values or assets, the Fund must take steps to reduce such borrowings or pledges at least to the extent of such excess.

Additional Information about the Fund’s Fundamental Investment Policies

The information below is not part of the Fund’s fundamental policies. This information is intended to provide a summary of what is currently required or permitted by the 1940 Act and the rules and regulations thereunder, or by the interpretive guidance provided by the SEC or by the staff of the SEC with respect to the particular fundamental policies of the Fund. Information is also provided regarding the current intention of the Fund with respect to certain investment practices permitted by the 1940 Act.

For purposes of fundamental policy in clause (a) above, a senior security does not include any promissory note or evidence of indebtedness where such loan is for temporary purposes only and in an amount not exceeding 5% of the value of the total assets of the Fund at the time the loan is made (a loan is presumed to be for temporary purposes if it is repaid within 60 days and is not extended or renewed). Further, to the extent the Fund covers its commitments under certain types of agreements and transactions, including reverse repurchase agreements, “roll” transactions, and other similar trading practices, by segregating or earmarking liquid assets equal in value to the amount of the Fund’s commitment, such agreement or transaction will not be considered a senior security by the Fund.

With respect to the Fund’s fundamental policy set forth in clause (b) above, under the 1940 Act, investment companies such as the Fund may not invest more than 15% of the value of its total assets in the aggregate in the specified illiquid securities.

For purposes of the fundamental policy in clause (c) above, under normal market conditions, as required by Rule 35d-1 under the 1940 Act, the Fund invests at least 80% of its net assets (plus the amount of any borrowings for investment purposes) in Tax-Exempt Obligations.

The 1940 Act and the rules and regulations currently provide that for purposes of the fundamental policy in clause (d) above, the Fund may not borrow money in an amount in excess of 33-1/3% of the value of the Fund’s total assets (including the amount borrowed). Reverse repurchase agreements or “roll” transactions are considered borrowings by the Fund and require asset coverage of at least 300% as defined in the 1940 Act and will be subject to the same 10% limitations as set forth in clause (d) above.

For purposes of the Fund’s fundamental policy in clauses (e) and (n) above, pursuant to the 1940 Act, the Fund may not pledge, mortgage or loan more than 33-1/3% of its total assets (excluding the purchase of debt obligations). The Fund’s portfolio securities are mostly Tax-Exempt Obligations that include limited voting rights that would generally arise only in an event of default with respect to the transaction documents relating to such portfolio securities or any proposed restructuring or material change that would require bondholder consent. Generally any pledge, mortgage or loan of the Fund’s portfolio securities would provide that the Fund maintain such voting rights except in the event of a default by the Fund, in which case the lender or other party may obtain the voting rights to the securities. However, these voting rights are negotiated on a transaction-by-transaction basis, and there is no assurance that the Fund would always maintain these limited voting rights in the event of a pledge, mortgage or loan of the Fund’s portfolio securities.

For purposes of the Fund’s fundamental policy in clause (g) above, the Fund is a “diversified” management investment company under the 1940 Act. This means that with respect to 75% of its total assets: (1) the Fund may not invest more than 5% of its total assets in the securities of any one issuer other than U.S. government securities and securities of other investment companies; and (2) the Fund may not own more than 10% of the outstanding voting securities of any one issuer. In applying these limitations, a guarantee of a security will not be considered a security of the guarantor, provided that the value of all securities issued or guaranteed by that guarantor, and owned by the Fund, does not exceed 10% of the Fund’s total assets. Since Tax-Exempt Obligations ordinarily purchased by the Fund are not voting securities (notwithstanding the 75% limitation described above), there is generally no limit on the percentage of a single issuer’s obligations which the Fund may own, so long as it does not invest more than 5% of its total assets in the securities of that issuer. Consequently, the Fund may invest in a greater percentage of the outstanding securities of a single issuer than would an investment company which invests in voting securities. In determining the issuer of a security, each state and each political subdivision, agency, and instrumentality of each state and each multi-state agency of which such state is a member is a separate issuer. Where securities are backed only by assets and revenues of a particular instrumentality, facility or subdivision, such entity is considered the issuer.

With respect to fundamental policy in clause (j) above, it is possible that the Fund could, as a result of an investment in debt securities of an issuer, come to hold an interest in real estate if the issuer defaulted on its debt obligations.

For purposes of the Fund’s fundamental policy in clause (l) above, the policy will not apply to the Fund to the extent the Fund may be deemed an underwriter within the meaning of the 1933 Act in connection with the purchase and sale of Fund portfolio securities in the ordinary course of pursuing its investment objectives and strategies.

Portfolio Turnover

The frequency of portfolio transactions — the Fund’s portfolio turnover rate — will vary from year to year depending on market conditions. The Investment Adviser’s goal is that the Fund will not have a portfolio turnover rate in excess of 20% per year, in accordance with the investment objectives of the Fund. However, there can be no assurances that the Fund will be able to consistently meet this objective. In the 2021 fiscal year, the Fund maintained a portfolio turnover rate of 10.66% compared to a turnover rate in the 2020 fiscal year of 22.54%. The turnover rate is calculated by dividing the lesser of purchases or sales of portfolio securities by the monthly average of the value of such securities owned during the period. Securities with a maturity date of one year or less at the time of acquisition are excluded from the calculation. Portfolio turnover was elevated in 2020 as the Fund increased its purchase activity to capitalize on investments trading at discounted valuations due to the COVID-19 induced declines in the financial markets. The portfolio turnover rate then decreased in 2021 on a year-over-year basis as the financial markets recovered and the number of investments trading at abnormally large discounts decreased significantly.

How Is The Fund Managed?

The Fund is a Massachusetts business trust. The board of trustees of the Fund (the “Board”) oversees the operations of the Fund, and is responsible for the overall management and supervision of the Fund’s affairs in accordance with the laws of the State of Massachusetts, and directs the officers of the Fund to perform or to cause to be performed the daily functions of the Fund. The Board supervises the activities of the Fund, reviews the Fund’s service contracts and hires the companies that run the day-to-day operations of the Fund, such as the administrator, custodian, investment adviser, transfer agent and underwriter.

Pursuant to the terms of an agreement between the Fund and Freedom Funds Management Company, the investment adviser to the Fund (“Investment Adviser”), the Investment Adviser will manage investment of the Fund’s assets and administer its business and other affairs. See “Who Gives Investment Advice To The Fund?” and “Advisory Agreement And Expenses.”

Board's Oversight Role in Management; Code of Ethics

The Board's role in the management of the Fund is oversight. As is the case with many investment companies, service providers to the Fund, primarily the investment adviser has responsibility for the day-to-day management of the Fund, which includes responsibility for risk management (including management of investment performance and investment risk, valuation risk, issuer and counterparty credit risk compliance risk and operation risk). As part of its oversight, the Board, acting at its scheduled meetings, or the individual trustees, acting independently between Board meetings, regularly interact with and receive reports from the Portfolio Manager of the Fund, as well as other compliance personnel of the Investment Adviser. The Fund's Board meets during its scheduled meetings, and between meetings the Board is in contact with the Fund's independent registered public accounting firm. The Board also receives periodic presentations from senior personnel of the Investment Adviser regarding risk management generally, as well as periodic presentations regarding specific operational, compliance or investment areas, such as business continuity, anti-money laundering, personal trading, valuation, credit and investment research. The Board has adopted policies and procedures designed to address certain risks to the Fund. In addition, the Investment Adviser and other service providers to the Fund have adopted a variety of policies, procedures and controls designed to address particular risks to the Fund. Different processes, procedures and controls are employed with respect to different types of risks. However, it is not possible to eliminate all of the risks applicable to the Fund and the Board's oversight role does not make the Board a guarantor of the Fund's investments or activities.

The Fund, the Investment Adviser and the Fund's principal underwriter, Colorado Financial Service Corporation ("Colorado Financial Service Corporation" or the "Underwriter") all adopted codes of ethics under Rule 17j-1 promulgated under the 1940 Act. These codes of ethics permit personnel subject to the codes to invest in securities, including securities that may be purchased or held by the Fund.

Officers and Trustees of the Fund

The Board is presently composed of three trustees. Of the three members, two are not "interested persons" as that term is defined in the 1940 Act. The Board does not have a single lead independent trustee; instead all trustees of the Fund seek consensus and at times serve in a leadership role as various matters under consideration align with their specific areas of interest or expertise. In addition to having broad experience, all of the trustees are themselves owners of shares in the Fund and consequently are shareholder advocates. Except for matters that require the approval of the trustees that are not "interested persons," the entire Board acts on all matters that come before them, and the Board has no standing committees.

The following tables list the trustees and officers of the Fund, together with their address, age, positions held with the Fund, the term of each office held and the length of time served in each office, principal business occupations during the past five years and other directorships, if any, held by each trustee and officer. Each trustee and officer has served in that capacity for the Fund continuously since originally elected or appointed. The Board supervises the business activities of the Fund. Each trustee serves as a trustee until termination of the Fund unless the trustee dies, resigns, retires, or is removed.

George N. Donnelly is an "interested person" of the Fund as defined in the 1940 Act solely by virtue of his position as both an officer and a trustee of the Fund as described in the table below. None of the trustees nor the officers of the Fund has any position with the Investment Adviser, the Underwriter, the distribution agent of the Fund, the service agent of the Fund or the custodian of the Fund, or any affiliates thereof. There is no family relationship between any officers and trustees of the Fund.

Non-Interested Trustees

<u>NAME, ADDRESS AND AGE</u>	<u>POSITIONS HELD WITH THE FUND</u>	<u>TERM OF OFFICE AND LENGTH OF TIME SERVED</u>	<u>PRINCIPAL OCCUPATIONS DURING THE PAST 5 YEARS</u>	<u>OTHER DIRECTORSHIPS HELD BY DIRECTOR</u>
Bruce G. Ely 1200 17th Street, Ste. 850 Denver, CO 80202 Age: 70	Trustee	Trustee since July 2002	Mr. Ely was a Regional Director in Colorado for Cutwater Asset Management, a wholly-owned subsidiary of MBIA, Inc. until his retirement in September 2013.	None

James R. Madden 1200 17th Street, Ste. 850 Denver, CO 80202 Age: 77	Trustee	Trustee since September 2004	Mr. Madden has owned Madden Enterprises, a real estate company that owns and leases commercial buildings and real estate, for the past 30 years. He is also a stockholder and director of The Community Bank in western Kansas. He has been a bank director for 25 years.	None
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Interested Trustee

<u>NAME, ADDRESS AND AGE</u>	<u>POSITIONS HELD WITH THE FUND</u>	<u>TERM OF OFFICE AND LENGTH OF TIME SERVED</u>	<u>PRINCIPAL OCCUPATIONS DURING THE PAST 5 YEARS</u>	<u>OTHER DIRECTORSHIPS HELD BY DIRECTOR</u>
George N. Donnelly 1200 17 th Street, Ste. 850 Denver, CO 80202 Age: 74	Chairman of the Board, Interim President, Secretary and Treasurer	Trustee since inception of the Fund in 1987, Interim President, Secretary and Treasurer since September 26, 2008	Mr. Donnelly was a Senior Regional Vice President for Phoenix Life Insurance Company until his retirement in January 2010.	None

In determining whether an individual is qualified to serve as a trustee of the Fund, the Board considers a wide variety of information about the trustee, and multiple factors contribute to the Board's decision. Each trustee is determined to have the experience, skills, and attributes necessary to serve the Fund and its shareholders because each trustee demonstrates an exceptional ability to consider complex business and financial matters, evaluate the relative importance and priority of issues, make decisions, and contribute effectively to the deliberations of the Board. The Board also considers the individual experience of each trustee and determines that the trustee's professional experience, education, and background contribute to the diversity of perspectives on the Board. The business acumen, experience, and objective thinking of the trustees are considered invaluable assets for management of the Fund and ultimately for the Fund's shareholders. In addition to the information about each trustee described above, some of the specific roles and experience of each board member that factor into this determination are presented below.

George N. Donnelly – Mr. Donnelly has been with the Fund since its inception in 1987 and was one of the original architects of the Fund. Mr. Donnelly also has had a distinguished career in the investment banking and insurance industries which equips him with the tools he needs to properly guide the Fund into the future with the benefit of lessons learned in the past. Mr. Donnelly has also provided leadership in the area of management succession planning and adequacy of insurance coverage.

Bruce G. Ely – Mr. Ely has served on the Board since July 2002 and has demonstrated the highest caliber moral and ethical behavior. He has worked in various aspects of the fixed income industry for over 25 years. His past employment with Cutwater Asset Management gives him keen insight into the intricacies of the municipal bond industry and he is an indispensable resource to management of the Fund. Mr. Ely has provided leadership with regard to credit quality considerations.

James R. Madden – Mr. Madden has served on the Board since his appointment on September 30, 2004. As a former decorated officer and pilot of the United States Air Force during the Vietnam era he has conducted himself with outstanding high moral character even under extremely difficult circumstances. Mr. Madden is also a successful businessman having owned and operated businesses in several different fields and has served on other boards including banks. This practical experience brings invaluable insight into the operation of the Fund where many of the same principles apply. Mr. Madden has taken a leadership liaison role with regard to contact with the Fund's independent registered public accounting firm.

Share Ownership

The following tables set forth the dollar range of shares of the Fund beneficially owned by each of the trustees of the Fund as of December 31, 2021:

Non-Interested Trustees

<u>NAME</u>	<u>DOLLAR RANGE OF SHARES IN THE FUND</u>
Bruce G. Ely	Over \$100,000
James R. Madden	Over \$100,000

Interested Trustee

<u>NAME</u>	<u>DOLLAR RANGE OF SHARES IN THE FUND</u>
George N. Donnelly	None

As of December 31, 2021, the officers and trustees of the Fund as a group owned less than 1% of the outstanding shares of the Fund, and none of the officers or trustees of the Fund or members of their immediate family had any ownership interest, beneficial or of record, in the Investment Adviser, the Underwriter or any person (other than the Fund) directly or indirectly controlling, controlled by, or under common control with the Investment Adviser or the Underwriter.

Compensation

The Board met three times during the fiscal year ended September 30, 2021. The following tables show the compensation paid by the Fund to each of the trustees during that year:

Non-Interested Trustees

<u>NAME OF PERSON, POSITION(S) WITH THE FUND</u>	<u>AGGREGATE COMPENSATION FROM FUND</u>	<u>PENSION OR RETIREMENT BENEFITS ACCRUED AS PART OF FUND EXPENSES</u>	<u>TOTAL COMPENSATION FROM FUND PAID TO SUCH PERSON</u>
Bruce G. Ely (Trustee)	\$ 3,000	N/A	\$ 3,000
James R. Madden (Trustee)	\$ 3,000	N/A	\$ 3,000

Interested Trustees

<u>NAME OF PERSON, POSITION(S) WITH THE FUND</u>	<u>AGGREGATE COMPENSATION FROM FUND</u>	<u>PENSION OR RETIREMENT BENEFITS ACCRUED AS PART OF FUND EXPENSES</u>	<u>TOTAL COMPENSATION FROM FUND PAID TO SUCH PERSON</u>
George N. Donnelly (Trustee, Interim President, Secretary and Treasurer)	\$ 2,000	N/A	\$ 2,000

No officer or trustee of the Fund received remuneration from the Fund in excess of \$60,000 for services to the Fund during the fiscal year ended September 30, 2021. The officers and trustees of the Fund, as a group, received \$8,000 in compensation from the Fund for services to the Fund during the 2021 fiscal year.

Shareholder Meetings

The Fund is not required to hold annual shareholder meetings. However, special meetings may be called by the Board or upon the written request of shareholders owning at least one-tenth of the shares entitled to vote, for such purposes as electing or removing trustees, changing fundamental investment policies, or approving a new or amended advisory or management contract or plan of distribution. Each shareholder receives one vote for each share held. The Board has the power to create additional series of Fund shares.

Proxy Voting

The Fund invests exclusively in non-voting securities and therefore is not required to include information regarding proxy voting policies and procedures.

Control Persons and Principal Holders

No person of record owns and no person is known by the Fund to beneficially own 25% or more of the Fund's shares, and no person is known by the Fund to otherwise control the Fund.

To the knowledge of the Fund, the following table sets forth the names and addresses of the principal holders (5% or more) of the outstanding shares of the Fund, including the record owners and the beneficial owners known to the Fund and the percentage of the outstanding shares held by such holders. Unless otherwise indicated below, the Fund has no knowledge as to whether all or any portion of the shares owned of record are also owned beneficially. The information in the table below is as of January 7, 2022.

<u>NAME AND ADDRESS OF HOLDER</u>	<u>PERCENTAGE OWNERSHIP</u>	<u>TYPE OF OWNERSHIP (RECORD OR BENEFICIAL)</u>
Pershing LLC 1 Pershing Plaza Jersey City NJ 07399	18.11%	Record
Stifel Nicolaus & Co Inc. 501 N Broadway St Louis MO 63102	9.13%	Record

Who Gives Investment Advice To The Fund?

The Investment Adviser to the Fund is a Delaware corporation formed on November 7, 1986 and wholly owned by Carbon County Holding Company, a Colorado corporation ("Carbon County"). Carbon County is a single bank holding company which owns 100% of Rawlins National Bank. The Investment Adviser is located at 1200 Seventeenth Street, Suite 850, Denver, Colorado 80202.

Fred R. Kelly Jr., President, Secretary and Treasurer of the Investment Adviser and the Fund's portfolio manager, owns approximately 66% of the issued and outstanding capital stock of Carbon County.

The Investment Adviser has registered with the Securities and Exchange Commission as an Investment Adviser under the 1940 Act.

Advisory Agreement and Expenses

Under the advisory agreement approved by the Board and by a majority of the shareholders (the “Advisory Agreement”), by and between the Fund and the Investment Adviser, subject to the control of the Board, the Investment Adviser manages the assets of the Fund, including making purchases and sales of portfolio securities consistent with the Fund’s investment objectives and policies. The Investment Adviser will attempt to meet the Fund’s investment objectives by providing portfolio management and credit analysis services pursuant to the Prospectus and the Advisory Agreement. There is no assurance that the Investment Adviser can meet the Fund’s investment objectives.

In addition, the Investment Adviser administers the Fund’s daily business affairs such as providing accurate accounting records, computing accrued income and expenses of the Fund, computing the daily net asset value of the Fund, assuring proper dividend disbursements, proper financial information to investors, and notices of all shareholders’ meetings, and providing sufficient office space, storage, telephone services, and personnel to accomplish these responsibilities.

The Investment Adviser pays all of the compensation of trustees of the Fund who are employees of the Investment Adviser and of the officers and employees of the Fund. The Fund pays all of the compensation of trustees who are not employees of the Investment Adviser. The Advisory Agreement also provides that the Investment Adviser will not be liable to the Fund for any error of judgment or mistake of law, or for any loss arising out of any investment, or for any act or omission in performing its duties under the Advisory Agreement, except for willful misfeasance, bad faith, gross negligence or reckless disregard of its obligations and duties under the Advisory Agreement.

In exchange for its services, the Investment Adviser is entitled to receive a management fee from the Fund, calculated daily and payable monthly, equal to 0.50% of the average daily net assets on an annual basis.

The Fund is responsible for paying all its expenses other than those assumed by the Investment Adviser, including brokerage commissions, if any, fees and expenses of independent attorneys and auditors, taxes and governmental fees, including fees and expenses of qualifying the Fund and its shares under federal and state securities laws, and expenses of repurchase or redemption of shares, expenses of printing and distributing reports, notices and proxy materials to shareholders, expenses of printing and filing reports and other documents with governmental agencies, expenses of shareholders’ meetings, expenses of corporate data processing and related services, shareholder account services, fees and disbursements of appraisers, transfer agents and custodians, expenses of disbursing dividends and distributions, fees and expense of trustees of the Fund not employed by the Investment Adviser or its affiliates, insurance premiums and extraordinary expenses such as litigation expenses.

The table below sets forth the advisory fees earned, and the advisory fees actually paid by the Fund during the last three fiscal years of the Fund:

	ADVISORY FEES EARNED	ADVISORY FEES PAID
2019	\$ 6,672,065	\$6,672,065
2020	\$ 7,250,672	\$7,250,672
2021	\$ 8,145,630	\$8,145,630

The Advisory Agreement will continue in effect from year to year if such continuance is approved in the manner required by the 1940 Act (i.e., (1) by a vote of a majority of the Board or of the outstanding voting securities of the Fund and (2) by a vote of a majority of the trustees who are not parties to the Advisory Agreement or interested persons of any such party), and if the Investment Adviser shall not have notified the Fund at least 60 days prior to the anniversary date of the previous continuance that it does not desire such continuance. The Advisory Agreement may be terminated by the Fund, without penalty, on 60 days’ written notice to the Investment Adviser and will terminate automatically in the event of its assignment.

Each year, the Board, including a majority of trustees who are not “interested persons” of the Fund, as defined in the 1940 Act, is required to determine whether to continue the Advisory Agreement with the Investment Adviser. The 1940 Act requires that the Board request and evaluate, and that the Investment Adviser provide, such information as may be reasonably necessary to evaluate the terms of the Advisory Agreement.

At a meeting held on September 30, 2021, the Board, including a majority of the trustees that are not “interested persons” of the Fund, determined that the continuation of the Advisory Agreement was in the best interest of each of the Fund and its shareholders, and approved the continuation of the Advisory Agreement through September 30, 2022. The approval through September 30, 2022 was discussed in the Fund’s 2021 annual report on Form N-CSR filed with the Securities and Exchange Commission on December 1, 2021.

The Investment Adviser also serves as the transfer agent, shareholder servicing agent and dividend disbursing agent for the Fund, pursuant to a Transfer Agency and Service Agreement (the “Service Agreement”). The Investment Adviser’s duties under the Service Agreement include processing, purchases and redemption transactions, establishing and maintaining shareholder accounts and records, disbursing dividends declared by the Fund and all other customary services of a transfer agent, shareholder servicing agent and dividend disbursing agent. As compensation for these services, the Fund may pay the Investment Adviser at a rate intended to represent the Investment Adviser’s cost of providing such services. This fee would be in addition to the investment advisory fee payable to the Investment Adviser under the Advisory Agreement.

Additional Information About the Portfolio Manager

The Fund’s portfolio manager is Fred R. Kelly Jr., President, Secretary and Treasurer of the Investment Adviser. The portfolio manager does not manage any accounts other than the Fund. The following includes additional information about the portfolio manager’s compensation and ownership of shares of the Fund.

Compensation. The following is an explanation of the structure of, and method used to determine, portfolio manager compensation as of the end of the Fund’s most recently completed fiscal year. Mr. Kelly is compensated by a fixed salary, yearly bonus (not based on Fund performance or the value of assets held in the Fund’s portfolio) and commissions on certain sales of shares of the Fund relating to accounts on which the Underwriter is the broker-dealer. All compensation is paid in cash. Salary and bonus is paid by the Investment Adviser, while commissions are paid by the Underwriter. Mr. Kelly also receives indirect compensation in the form of dividends as a result of his ownership of approximately 66% of the capital stock of Carbon County, the parent of the Investment Adviser.

Share Ownership. The following table sets forth the dollar range of shares of the Fund beneficially owned by the portfolio manager of the Fund as of September 30, 2021:

<u>NAME</u>	<u>DOLLAR RANGE OF SHARES IN THE FUND</u>
Fred R. Kelly, Jr.	\$0 - \$50,001

Allocation of Portfolio Transactions and Other Practices

The Investment Adviser will be authorized to allocate the Fund’s securities transactions to the Underwriter, the principal underwriter and the distributor of the Fund’s shares and to other broker-dealers who help distribute the Fund’s shares. The Investment Adviser will allocate transactions to such broker-dealers only when it reasonably believes that the commissions and transaction quality is comparable to that available from other qualified broker-dealers. This allocation method is consistent with the Rules of the Financial Industry Regulatory Authority and is further subject to seeking the most favorable price and execution available and such other policies as the Board may determine.

In connection with its duties to arrange for the purchase and sale of portfolio securities, the Investment Adviser will select such broker-dealers who will, in the Investment Adviser’s judgment, implement the Fund’s policy to achieve best execution, i.e., prompt, efficient and reliable execution of orders at the most favorable net price. The Investment Adviser will cause the Fund to deal directly with the selling or purchasing principal or market maker without incurring brokerage commissions unless the Investment Adviser determines that better price or execution may be obtained by paying such commissions; the Fund expects that most transactions will be principal transactions at net prices and that the Fund will incur little or no brokerage costs. The Fund understands that purchases from underwriters include a commission or concession paid by the issuer to the underwriter and that principal transactions placed through dealers include a spread between the bid and ask prices.

When allocating transactions to dealers, the Investment Adviser is authorized to consider, in determining whether a particular dealer will provide best execution, the dealer's reliability, integrity, financial condition and risk in positioning the securities involved, as well as the difficulty of the transaction in question, and thus need not pay the lowest spread or commission available if the Investment Adviser determines in good faith that the amount of commission is reasonable in relation to the value of the brokerage and research services provided by the dealer, viewed either in terms of the particular transaction or the Investment Adviser's overall responsibilities as to the accounts as to which it exercises investment discretion.

If, on the foregoing basis, the transaction in question could be allocated to two or more dealers, the Investment Adviser is authorized in making such allocation, to consider, (i) whether a dealer has provided research services, as further discussed below; and (ii) whether a dealer has sold shares of the Fund or the shares of any other investment company or companies having the Investment Adviser as its investment adviser or having the same sub-manager, administrator or principal underwriter as the Fund. Such research may be in written form or through direct contact with individuals and may include quotations on portfolio securities and information on particular issuers and industries, as well as on market, economic or institutional activities. The Fund recognizes that no dollar value can be placed on such research services or on execution services, that such research services may or may not be useful to the Fund and/or other accounts of the Investment Adviser and that such research received by such other accounts may or may not be useful to the Fund.

Under the 1940 Act, the Fund may not purchase portfolio securities from any underwriting syndicate of which the Underwriter, as principal, is a member except under certain limited circumstances set forth in Rule 10f-3 under such Act. These conditions relate among other things, to the terms of an issue of municipal securities purchased by the Fund, the reasonableness of the dealer spread, the amount of municipal securities which may be purchased from any one issuer, and the amount of the Fund's assets which may be invested in a particular issue. The rule also requires that any purchase made subject to its provisions be reviewed at least quarterly by the Fund's Board, including a majority of the Fund's Board who are not interested persons of the Fund as defined by the 1940 Act.

The Board will review quarterly the Investment Adviser's performance of its responsibilities in connection with the placement of portfolio transactions on behalf of the Fund. Such review is conducted for the purpose of determining if the markups and commissions, if any, paid by the Fund are reasonable in relation to the benefits received by the Fund taking into account the competitive practices in the industry.

The Fund paid no brokerage commissions during the last three fiscal years. All portfolio securities acquired or sold by the Fund during those three fiscal years were principal transactions at net prices.

Shareholder Service Agent

The Investment Adviser also serves as the Fund's shareholder service agent ("Service Agent") and has registered with the Securities and Exchange Commission as a transfer agent. As Service Agent, the Investment Adviser performs only those services described in the Service Agreement.

Custodian And Independent Registered Public Accounting Firm

United Missouri Bank (UMB), N.A., is the portfolio securities custodian (the "Custodian") for the Fund. Their address is 1010 Grand Boulevard, Kansas City, Missouri 64106. The Custodian is responsible for safeguarding and controlling the Fund's cash and securities, handling the receipt and delivery of securities and collecting interest and dividends on the Fund's investments.

Plante & Moran, PLLC is the independent registered public accounting firm of the Fund and audited the Fund's financial statements for the fiscal year ended September 30, 2021 and is expected to audit the Fund's financial statements for the fiscal year ending September 30, 2022. Their address is 8181 E. Tufts Avenue, Suite 600, Denver, CO 80237.

What Kind Of Shares Does The Fund Offer?

The Fund has one class of shares, an unlimited number of which may be issued by the Fund, and the Board has the power to create additional series of Fund shares.

The Fund declares dividends of net investment income daily. Dividends are paid to shareholders on the fifteenth day of each month. If the fifteenth day of a month falls on a weekend, holiday or other day on which the New York Stock Exchange (“NYSE”) is closed, the dividend will be distributed on the next succeeding business day. Payments vary in amount depending on income received from portfolio securities and expenses of operation.

Shares will begin earning dividends on the day after which the Fund receives payment and shares are issued. Shares continue to earn dividends through the date they are redeemed or delivered subsequent to reinstatement.

Unless you elect otherwise, your dividends and gain distributions, if any, will be made in additional shares of the Fund at net asset value. If you desire to elect a different option, you may choose to receive dividends in cash and any gain distributions in shares or receive both dividends and any gain distributions in cash by notifying the Investment Adviser in writing or by telephone in advance of the date on which the dividends are payable.

The Fund will generally distribute sufficient net income to avoid the application of the 4% excise tax imposed pursuant to the Code.

Each share represents an equal proportionate beneficial interest in the Fund. Shareholders are entitled to one vote for each full share held. Fractional shares may be voted proportionately. Voting rights are not cumulative.

When issued and outstanding, the shares are fully paid and non-assessable by the Fund. Shares are fully redeemable as described under the “How Can I ‘Sell’ My Shares?” portion of the Prospectus. Shares of the Fund have no preemptive or conversion rights, and are freely transferable. Upon liquidation of the Fund, shareholders are entitled to share pro rata in the net assets of the Fund available for distribution to shareholders.

Rule 18f-2 under the 1940 Act provides that any matter required to be submitted by the provisions of the 1940 Act or applicable state law, or otherwise, to the holders of the outstanding voting securities of an investment company such as the Fund shall not be deemed to have been effectively acted upon unless approved by the holders of a majority of the outstanding voting securities of each class affected by such matter. Rule 18f-2 further provides that a class shall be deemed to be affected by a matter unless it is clear that the interests of each class in the matter are substantially identical or that the matter does not affect any interest of such class. However, the Rule exempts the selection of independent public accountants, the approval of principal distributing contracts and the election of trustees from the separate voting requirements of the Rule.

Purchase Of Shares

Shares of the Fund are being continuously offered through securities dealers who are members of the Financial Industry Regulatory Authority (“FINRA”) and who have a dealer agreement with the Underwriter, Colorado Financial Service Corporation. Broker-dealers may be classified as statutory underwriters under Section 2(11) of the Securities Act of 1933, as amended. Purchase orders for shares of the Fund may be submitted directly to the Fund, or to your broker (if your broker has a dealer agreement with the Underwriter), who will submit them to the Fund’s transfer agent, for purposes of processing purchases and redemptions of shares of the Fund. Brokers cannot accept purchase orders on behalf of the Fund but are contractually obligated in their agreement with the Underwriter to promptly transmit purchase orders received by them to the transfer agent. Note that dealers may have their own rules about share transactions and may have earlier cut-off times or different restrictions that may be in addition to, or different from those applicable to investors purchasing shares directly from the Fund. For more information about how to purchase through your intermediary, contact your broker directly.

Shares of the Fund are purchased at the offering price based on the net asset value next determined after receipt by the Fund or the transfer agent of the purchase order that contains all information and legal documentation necessary to process the transaction and the purchase price (which includes any applicable sales charges). Any purchase order received by the Fund or the Fund’s transfer agent before 2:00 p.m. Mountain Standard Time will receive that day’s share price, which is the net asset value at the close of business of the NYSE that day. Orders received after 2:00 p.m. will be priced based on the net asset value at the close of business of the NYSE the next day that the NYSE is open. The Fund is open for business each day on which the NYSE is open.

Shares of the Fund are only offered and sold in certain states. The Prospectus is not an offer to sell securities and is not soliciting an offer to buy shares of the Fund in any state where the offer or sale is not permitted. You can contact your broker or the Fund (at the address below) to find the current list of states in which we offer or sell shares of the Fund. Additional information is also included on the account application form.

If you are in a state that we are permitted to sell shares of the Fund, you can open an account for \$500 or more by delivering a check made payable to “Colorado BondShares—A Tax-Exempt Fund,” and a completed account application form provided to you by the Fund upon request, either to your broker or to the Fund at 1200 Seventeenth Street, Suite 850, Denver, Colorado 80202. The Fund’s telephone numbers, including toll-free numbers, are set forth on the cover of this Statement of Additional Information.

You may be charged a fee by your broker or other financial institutional if you use a broker or that financial institutional to buy or redeem shares of the Fund. For example, if you participate in a “wrap account” or similar program under which you pay advisory or management fees to a broker-dealer or other financial institution for managing your account, you must set up a separate brokerage account without these fees in order to invest in the Fund through that broker or financial institution.

You may make additional purchases at any time by delivering a check either to your broker or to the Fund at the address stated above. There is no minimum purchase amount required for these subsequent investments.

Instructions for redemptions and other transactions in accounts and requests for information about an account should go to the above stated address.

Any share purchases will be made through the Fund from the investment dealer designated by you. You may change your dealer at any time upon written notice to the Fund or the transfer agent, provided that the new dealer has a dealer agreement with the Underwriter.

Federal anti-money laundering laws and regulations require the Fund to obtain certain information about you in order to open an account. You must provide the Fund with the name, physical address, social security or other taxpayer identification number, date of birth and phone number of all owners of the account. A post office box cannot be used as the physical address on the account. The Fund will use this information to verify your identity using various methods. In the event that your identity cannot be sufficiently verified, the Fund may employ additional verification methods or refuse to open your account. The information gathered also will be verified when you change the principal physical address on your account. Under certain circumstances, it may be appropriate for the Fund to close or suspend further activity in an account. The personal information gathered about you will be protected in accordance with the Fund’s privacy policy described in the section of the Prospectus of the Fund entitled “Privacy Policy Of The Fund.”

What Reductions In Sales Charges Are Provided And To Whom?

The Fund provides volume discounts, rights of accumulation, a letter of intent, a net asset value transfer privilege and reductions in sales charges to certain persons, all as specified in the Prospectus. The section of the Prospectus entitled “How Are Sales Charges Determined?” (including the subsection entitled “Reductions in Sales Charges”) is incorporated by reference into this Statement of Additional Information.

Reasons For Differences In Public Offering Price

As described in the Prospectus, there are a number of instances in which the Fund’s shares are sold or issued on a basis other than the maximum public offering price (net asset value plus the highest sales charge). Some of these relate to lower or eliminated sales charges for larger purchases, whether made at one time or over a period of time as under a letter of intent or right of accumulation. See the “What Do Shares Cost?” section of the Prospectus which is incorporated by reference into this Statement of Additional Information. The reasons for these quantity discounts are, in general, that (i) they are traditional and have long been permitted in the industry and are therefore necessary to meet competition as to sales of shares of other funds having such discounts, and (ii) they are designed to avoid an unduly large dollar amount of sales charges on substantial purchases in view of reduced selling expenses. Quantity discounts are made available to certain single persons for reasons of family unity and to provide a benefit to tax-exempt plans and organizations.

Sales charges are eliminated for certain individuals and groups because (i) the reduced or eliminated selling expenses associated with those individuals and groups; (ii) encouragement of an investment by certain individuals and groups consistent with the aims and policies of the Fund; and (iii) the necessity to meet competition as to sales of shares of other funds.

Distribution Of Shares

Colorado Financial Service Corporation is also the general distributor of the shares of the Fund pursuant to a distribution agreement approved by the Board as of April 15, 2016 (the “Distribution Agreement”). Pursuant to the Distribution Agreement, the Underwriter is obligated to use its best efforts to solicit orders for the sale of Shares which are being offered in a continuous offering. The Distribution Agreement will continue until April 15, 2021, and thereafter will continue automatically for successful annual periods ending on April 15 of each year, provided such continuance is specifically approved at least annually (1) by the Board or by the vote of a majority of the outstanding shares of the Fund, and (2) by the vote of a majority of the trustees on the Board who are not interested persons of any party to the Distribution Agreement, cast in person at a meeting called for the purpose of voting on such approval. The Distribution Agreement is terminable at any time on 60 days’ written notice without penalty by the Board, by vote of a majority of the outstanding shares of the Fund, or by Colorado Financial Service Corporation. The Distribution Agreement will terminate in the event of its assignment, as defined under the 1940 Act. Colorado Financial Service Corporation is located at 188 Inverness Drive West, Suite 100, Centennial, CO 80112.

The Underwriter, as general distributor of the Fund’s shares, allows concessions to all dealers, up to 4.35% on purchases to which the 4.75% sales charge applies. The Underwriter receives the balance of such sales charges (0.40%) paid by investors. In its sole discretion, the Underwriter may give up all or part of such 0.40% sales charge to dealers; however, this practice may be discontinued at any time. The first table below sets forth the underwriting commissions and brokerage commissions paid by investors in the last three fiscal years, and the total sales charges paid by investors (which is equal to the sum of the underwriting commissions and brokerage commissions). The second table below sets forth the corresponding amounts retained by the Underwriter for the corresponding annual periods. The portfolio manager received brokerage commissions of \$216,588 for 2021 purchases of Fund shares and \$168,145 for 2020 purchases of Fund shares.

PAID BY INVESTORS:

Fiscal Year Ended September 30,	Underwriting Commissions (Net Underwriting Discounts and Commissions)	Brokerage Commissions	Total Sales Charges
2021	\$894,180	\$4,878,376	\$5,772,556
2020	\$601,535	\$3,400,865	\$4,002,400
2019	\$647,065	\$3,659,208	\$4,306,273

RETAINED BY Underwriter:

Fiscal Year Ended September 30,	Underwriting Commissions (Net Underwriting Discounts and Commissions)	Brokerage Commissions	Total Sales Charges
2021	\$ 894,180	\$ 197,413	\$ 1,091,593
2020	\$ 601,535	\$ 124,078	\$ 725,613
2019	\$ 647,065	\$ 104,652	\$ 751,717

Redemption Of Shares

The procedures for redemption of shares of the Fund under ordinary circumstances are set forth in the Prospectus.

In unusual circumstances, payment may be postponed, or the right of redemption postponed for more than seven calendar days, if the orderly liquidation of portfolio securities is prevented by the closing of, or restricted trading on, the NYSE during periods of emergency or such other periods as ordered by the Securities and Exchange Commission.

Payment may be made in securities, subject to the review of some state securities commissions. If payment is made in securities, a shareholder may incur brokerage expenses in converting these securities into cash.

How Is Net Asset Value Per Share Determined?

The public offering price of its shares is the next determined net asset value of the shares plus a sales charge. The net asset value per share of the Fund is determined as of the close of business of the NYSE for each day the Exchange is open. Net asset value is determined by dividing the value of the total assets of the Fund, less liabilities (net assets), by the number of shares outstanding. The value of total assets is primarily the sum of the market values of the bonds, other investments and cash in the portfolio.

The values of most of the Fund's portfolio securities are determined at their market price using prices provided on a daily basis by a national independent pricing service, which pricing service is approved by the Board. However, the determination of market values for municipal bonds, particularly not rated municipal bonds, can be a very subjective process due to the infrequency at which individual bonds actually trade and the limited amount of information that is available with respect to many municipal issuers. Therefore, in cases where a market price is not available from the pricing service, or where the Investment Adviser, based on policies and procedures adopted by the Board and subject to the Board's supervision, determines that the "market price" so determined is not reflective of the true "fair value" or realizable value of these securities, the portfolio securities are valued at "fair value" as determined in good faith by the Investment Adviser in accordance with the policies and procedures adopted by the Board and subject to the supervision of the Board. In either event, municipal bonds and other securities are valued by taking into consideration yield, stability, risk, quality, coupon, maturity, type of issue, quotes from municipal bond dealers, market transactions and other relevant information. The Fund records amortization of premiums and accretion of original discounts on zero coupon bonds, using the effective yield method, in accordance with federal income tax law and U.S. generally accepted accounting principles (GAAP). Short-term holdings are valued at current market quotations or amortized cost, whichever the Investment Adviser believes best approximates "fair value." In these cases, net asset value will reflect the affected portfolio securities' value as determined in the judgment of the Investment Adviser (subject to the policies and procedures established by the Board) instead of being determined by the market. Using a "fair value" pricing methodology to price the portfolio securities may result in a value that is different from a security's most recent sale price and from the prices used by other investment companies to calculate their net asset values. There can be no assurance that the valuation of a portfolio security as described above will be accurate, nor that the valuation will not differ from the amount that the Fund realizes upon the sale of such security.

Calculation Of Performance Data

The Fund may publish certain performance figures in advertisements from time to time. These performance figures may include yield, tax equivalent yield, total return and average annual total return (before and after taxes and taxes on redemption) figures. These performance figures are calculated in the following manner.

Yield

Yield reflects the income per share deemed earned by the Fund's portfolio investments. Yield is determined by dividing the net investment income per share deemed earned during the preceding 30-day period by the maximum offering price per share on the last day of the period and annualizing the result according to the following formula:

$$\text{Yield} = 2[(a-b/cd + 1)^6 - 1]$$

Where: a = interest earned during the period.

b = expenses accrued for the period (net of reimbursements).

c = the average daily number of shares outstanding during the period that were entitled to receive dividends.

d = the maximum offering price per share on the last day of the period.

To calculate interest earned (for the purpose of “a” above) the Fund will:

- (a) compute the yield to maturity of each obligation held by the Fund based on the market value of the obligation at the close of business on the last business day of each month, or with respect to obligations purchased during the month, the purchase price; and
- (b) divide the yield to maturity by 360 and multiply the quotient by the market value of the obligation (including actual accrued interest) to determine the interest income on the obligation for each day of the subsequent month that the obligation is in the portfolio.

The maturity of an obligation with a call provision is the next call date on which the obligation reasonably may be expected to be called or, if none, the maturity date.

In the case of an obligation issued without original issue discount and having a current market discount, the coupon rate of interest is used in lieu of the yield to maturity. In the case of an obligation with original issue discount, if the discount based on the current market value exceeds the then-remaining portion of original issue discount (market discount), the yield to maturity is the imputed rate based on the original issue discount calculation. In the case of an obligation with original issue discount, if the discount based on the current market value is less than the then-remaining portion of original issue discount (market premium), the yield to maturity is based upon market value.

Tax Equivalent Yield

Tax equivalent yield shows the yield from a taxable investment which would produce an after-tax yield equal to that of a fund that invests in tax-exempt securities. It is computed by dividing the tax-exempt portion of the Fund’s yield (as calculated above) by one minus a stated income tax rate and adding the quotient to the portion (if any) of the Fund’s yield that is not tax-exempt.

Total Return

Total return is the percentage change in the value of a hypothetical investment that has occurred in the indicated time period, taking into account the imposition of the sales charge and other fees and assuming the reinvestment of all dividends and distributions. Cumulative total return reflects the Fund’s performance over a stated period of time and is computed as follows:

$$ERV - P = \text{Total Return}$$

Where: ERV = ending redeemable value of the hypothetical \$1,000 payment made at the beginning of the base period (reduced by the maximum sales charge) assuming reinvestment of all dividends and distributions.

P = a hypothetical initial payment of \$1,000.

Average Annual Total Return

Average annual total return reflects the hypothetical annually compounded return that would have produced the same cumulative total return if the Fund’s performance had been constant over the entire period, and is computed according to the following formula:

$$P(1 + T)^n = ERV$$

Where: P = a hypothetical initial payment of \$1,000.

T = average annual total return.

n = number of years in the base period.

ERV = ending redeemable value of the hypothetical \$1,000 payment made at the beginning of the base period (reduced by the maximum sales charge) assuming reinvestment of all dividends and distributions.

All performance figures are based on historical results and are not intended to indicate future performance.

Average Annual Total Return (After Taxes on Distributions)

Average annual total return reflects the hypothetical annually compounded return (after taxes on distributions) that would have produced the same cumulative total return if the Fund's performance had been constant over the entire period, and is computed according to the following formula:

$$P(1 + T)^n = ATV_D$$

Where: P = a hypothetical initial payment of \$1,000.

T = average annual total return (after taxes on distributions).

n = number of years in the base period.

ATV_D = ending redeemable value of the hypothetical \$1,000 payment made at the beginning of the base period (reduced by the maximum sales charge) assuming reinvestment of all dividends and distributions, after taxes on distributions but not after taxes on redemption.

All performance figures are based on historical results and are not intended to indicate future performance.

Average Annual Total Return (After Taxes on Distributions and Redemption)

Average annual total return reflects the hypothetical annually compounded return (after taxes on distributions and redemption) that would have produced the same cumulative total return if the Fund's performance had been constant over the entire period, and is computed according to the following formula:

$$P(1 + T)^n = ATV_{DR}$$

Where: P = a hypothetical initial payment of \$1,000.

T = average annual total return (after taxes on distributions and redemption).

n = number of years in the base period.

ATV_{DR} = ending redeemable value of the hypothetical \$1,000 payment made at the beginning of the base period (reduced by the maximum sales charge) assuming reinvestment of all dividends and distributions, after taxes on distributions and redemption.

All performance figures are based on historical results and are not intended to indicate future performance.

Taxable Versus Tax-Exempt Yields Colorado Residents

The following table shows the rate of return an individual investor would need to receive from a taxable investment to equal various possible rates of return from the Fund. There can be no assurance that the Fund will achieve any particular tax-exempt yield.

<u>COLORADO BONDSHARES YIELD</u>	<u>EQUIVALENT TAXABLE YIELD*</u>
8.00%	13.32%
7.75%	12.91%
7.50%	12.48%
7.25%	12.07%
7.00%	11.65%
6.75%	11.23%
6.50%	10.82%
6.25%	10.40%
6.00%	9.99%
5.75%	9.57%
5.50%	9.15%
5.25%	8.74%
5.00%	8.32%
4.75%	7.91%
4.50%	7.49%
4.25%	7.07%
4.00%	6.66%
3.75%	6.24%
3.50%	5.82%
3.25%	5.41%
3.00%	4.99%

* The equivalent taxable yield is based on an assumed 37% marginal federal income tax rate and an assumed 4.63% marginal Colorado income tax rate. The actual effective rates may vary. The 2017 Tax Act reduced the maximum state tax deductibility to \$10,000. Investors should consult their tax advisor regarding their individual situation regarding their equivalent taxable yield.

General Information

The Fund was organized as an unincorporated business trust under the laws of the Commonwealth of Massachusetts pursuant to a Declaration of Trust filed on February 13, 1987, as amended and restated on November 30, 1994 (“Declaration of Trust”). The Fund is authorized to issue an unlimited number of shares of beneficial interest. Each share has one vote.

Under Massachusetts law, shareholders could, under certain circumstances, be held liable for the obligations of the Fund. However, the Fund’s Declaration of Trust disclaims shareholder liability for acts or obligations of the Fund and requires that notice of such disclaimer be given in each agreement, obligation or instrument entered into or executed by the Fund or a trustee (but the omission of such a recitation shall not operate to bind any shareholder). The Declaration of Trust provides for indemnification from the Fund’s property for all losses and expenses of any shareholder held liable for the obligations of the Fund. Thus, the risk of a shareholder’s incurring financial loss on account of shareholder liability is limited to circumstances in which the Fund itself would be unable to meet its obligations, a possibility which management believes is remote. Upon payment of any liability incurred by the Fund, the shareholder paying such liability will be entitled to reimbursement from the general assets of the Fund. The Board intends to conduct the operations of the Fund in such a way so as to avoid, as far as possible, ultimate liability of the shareholders for liabilities of the Fund.

As described under “How Is The Fund Managed?” in the Prospectus and Statement of Additional Information, the Fund ordinarily will not hold shareholder meetings; however, shareholders under certain circumstances may have the right to call a meeting of shareholders for the purpose of voting to remove trustees.

Reports to Shareholders. The Fund’s fiscal year ends on September 30. The Fund distributes reports semi-annually to its shareholders. Financial statements regarding the Fund, audited by the Fund’s independent registered public accounting firm, are sent to shareholders annually.

Cost Basis Reporting to the IRS. Legislation passed by Congress in 2008 requires the Fund to report to the Internal Revenue Services (“IRS”) and furnish to Fund shareholders the cost basis information for Fund shares purchased on or after January 1, 2012, and sold on or after that date. Additional information on cost basis reporting is included in the prospectus under the “How Can I “Sell” My Shares?” section of the prospectus.

Taxation of the Fund. As described in the Prospectus under “What Is The Effect Of Income Tax On My Investment?” the Fund intends to continue to qualify as a “regulated investment company” under Subchapter M of the Code. Failure of the Fund to so qualify would require the Fund to pay federal income taxes.

Fund Prospectus. The Fund’s Prospectus will be furnished without charge upon request. Such requests should be made to the Fund at the mailing address or telephone numbers set forth below under “How To Contact the Fund” or by visiting the Fund’s website at <https://www.coloradobondshares.com>.

Registration Statement. This Statement of Additional Information and the Prospectus do not contain all of the information set forth in the Registration Statement the Fund has filed with the Securities and Exchange Commission. The complete Registration Statement and other information about the Fund are available on the EDGAR Database on the Securities and Exchange Commission’s website at <http://www.sec.gov>, and copies of this information may be obtained, after paying a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov.

How To Contact the Fund. For general information about Colorado BondShares — A Tax-Exempt Fund, call or write the Fund at 1200 Seventeenth Street, Suite 850, Denver, Colorado 80202. The telephone number is (303) 572-6990, or, outside of Denver (800) 572-0069. You may call on Monday through Friday (except holidays) between the hours of 8:00 a.m. and 4:00 p.m. Mountain Standard Time and your calls will be answered by our service representatives. Inquiries, instructions for purchases, redemptions and other transactions in accounts and requests for information about an account should be directed to the above address. You may also contact the Fund at <https://www.coloradobondshares.com>.

Disclosure Of Portfolio Holdings

The Board has approved policies and procedures regarding disclosure of non-public information regarding the Fund’s portfolio holdings. The Fund and the Board reserve the right to amend these policies and procedures at any time and from time to time without prior notice at their sole discretion. Information about the Fund’s portfolio holdings is provided by the Fund quarterly (in the Fund’s N-PORT, semi-annual and annual reports), and the portfolio holdings of the Fund contained in these reports may be delivered to any person upon request and is available on the SEC’s website at www.sec.gov and is also available on the Fund’s website (in the applicable NPORT, semi-annual or annual report available on the website) at <https://www.coloradobondshares.com>.

For non-public information about the Fund’s portfolio holdings, the policies and procedures adopted by the Board provide that the Investment Adviser may authorize disclosure of the Fund’s portfolio securities after considering whether the Fund has a legitimate business purpose for providing the information requested, the purpose of the request by the proposed recipient of the information, the procedures that will be used by the recipient of the confidential information to ensure that such information remains confidential and is not traded upon; and whether such disclosure is in the best interest of the shareholders of the Fund or is required by law or has been requested by the SEC or other regulatory or governmental authorities or agencies and courts with jurisdiction over the Fund. The Fund reserves the right to refuse a request unless required by law. Any conflicts of interest between the interests of the shareholders of the Fund and its Investment Adviser, Underwriter, any other third-party service provider to the Fund or their respective affiliates will be resolved in favor of the shareholders (and must be submitted to the Board for approval prior to any such disclosure). The Fund, the Investment Adviser, and any of their respective affiliates may not receive any compensation or other consideration in connection with the disclosure of information about the portfolio holdings of the Fund. The date of the information provided to the requesting person may substantially precede the date of the request.

Affiliated persons of the Fund are provided non-public information regarding the Fund’s portfolio holdings only when needed by the affiliated persons to discharge their duties and when permitted by the Fund’s Code of Ethics. Affiliated persons of the Fund, including officers of the Fund and employees of the Investment Adviser and its affiliates, who receive non-public portfolio holdings information are subject to restrictions and limitations on the use and handling of such information pursuant to applicable codes of ethics, including requirements not to trade in securities based on confidential and proprietary investment information, to maintain the confidentiality of such information, and to receive authorization prior to securities trades and report securities transactions activity with respect to securities invested in by the Fund, as applicable.

The Fund's general policy with respect to the release of non-public information regarding portfolio holdings to nonaffiliated persons is to do so only in limited circumstances, on a "need to know" basis and, when released, to release such information only as consistent with applicable legal requirements and the fiduciary duties owed to shareholders. Such third parties will generally be bound by agreements (including confidentiality agreements) or fiduciary obligations that restrict and limit their use of the confidential information to legitimate business uses only and that generally include a duty not to trade on non-public information. The Underwriter and other intermediaries that distribute the Fund's shares, or due diligence departments of other broker-dealers and wirehouses that regularly analyze the portfolio holdings of mutual funds before their public disclosure for the purposes of efficient trading and receipt of relevant research are also provided information regarding the Fund's portfolio holdings upon request. One or more national independent pricing services that the Fund uses to determine the market price of its portfolio securities is provided with the Fund's portfolio holdings on a daily basis to confirm proper pricing of the Fund's securities. The Fund's Custodian, outside counsel and independent registered public accounting firm and other accountants, each of which requires non-public portfolio holdings information for legitimate business and fund oversight purposes or in the performance of their contractual duties and responsibilities to the Fund, may receive information on the Fund's portfolio securities, and each of which is subject to a confidentiality agreement or a fiduciary obligation that restrict and limit their use of the information, generally including a duty not to trade on nonpublic information, imposed by law or contract. The Fund may also provide non-public information on its portfolio holdings on a monthly and quarterly basis to rating agencies and other ranking agencies or mutual fund evaluation services such as Fitch, Moody's, S&P, Morningstar and Lipper Analytical Services, other entities for purposes of compiling reports and preparing data, proxy voting services for the purposes of voting proxies, entities providing computer software to the Fund or the Investment Adviser, regulatory or governmental authorities or agencies and courts with jurisdiction over the Fund or any of its affiliates and, in certain limited cases and subject to a written confidentiality agreement that also includes an express agreement not to trade on non-public information, current or prospective shareholders (in either case, whether individual or institutional).

Consistent with the Fund's policies and procedures regarding non-public disclosure of portfolio holdings, the only ongoing arrangements the Fund has with respect to making available information about the Fund's portfolio securities are to certain persons identified in the prior paragraph.

The Board receives, in addition to any requests for disclosure of the Fund's non-public information on portfolio holdings in the event of a conflict of interest, periodic reports from the Investment Adviser regarding any disclosure of non-public information with respect to the Fund's portfolio holdings to third parties. Any requests for disclosure of non-public information with respect to the Fund's portfolio securities not described above must be approved by the Board.

Financial Statements

The financial statements required by Item 27 of this Statement of Additional Information are incorporated by reference from the Fund's 2021 annual report on Form N-CSR that was filed with the Securities and Exchange Commission on December 1, 2021.

Appendix A

KEY TO MOODY'S LONG-TERM RATING DEFINITIONS

The information on credit ratings below was taken from the "Ratings Definitions" page of Moody's website disclosure on both baseline credit assessments of issuers' and Moody's global long-term rating scales. The Fund makes no representations or warranties as to the accuracy or completeness of such information.

- Aaa Issuers assessed "aaa" are judged to have the highest intrinsic, or standalone, financial strength, and thus subject to the lowest level of credit risk absent any possibility of extraordinary support from an affiliate or a government. Obligations rated "Aaa" are judged to be of the highest quality, subject to the lowest level of credit risk.
- Aa Issuers assessed "aa" are judged to have high intrinsic, or standalone, financial strength, and thus subject to very low credit risk absent any possibility of extraordinary support from an affiliate or a government. Obligations rated "Aa" are judged to be of high quality and are subject to very low credit risk.
- A Issuers assessed "a" are judged to have upper-medium-grade intrinsic, or standalone, financial strength, and thus subject to low credit risk absent any possibility of extraordinary support from an affiliate or a government. Obligations rated "A" are judged to be upper-medium grade and are subject to low credit risk.
- Baa Issuers assessed "baa" are judged to have medium-grade intrinsic, or standalone, financial strength, and thus subject to moderate credit risk and, as such, may possess certain speculative credit elements absent any possibility of extraordinary support from an affiliate or a government. Obligations rated "Baa" are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics.
- Ba Issuers assessed "ba" are judged to have speculative intrinsic, or standalone, financial strength, and are subject to substantial credit risk absent any possibility of extraordinary support from an affiliate or a government. Obligations rated "Ba" are judged to be speculative and are subject to substantial credit risk.
- B Issuers assessed "b" are judged to have speculative intrinsic, or standalone, financial strength, and are subject to high credit risk absent any possibility of extraordinary support from an affiliate or a government. Obligations rated "B" are considered speculative and are subject to high credit risk.
- Caa Issuers assessed "caa" are judged to have speculative intrinsic, or standalone, financial strength, and are subject to very high credit risk absent any possibility of extraordinary support from an affiliate or a government. Obligations rated "Caa" are judged to be speculative of poor standing and are subject to very high credit risk.
- Ca Issuers assessed "ca" have highly speculative intrinsic, or standalone, financial strength, and are likely to be either in, or very near, default, with some prospect for recovery of principal and interest; or, these issuers have avoided default or are expected to avoid default through the provision of extraordinary support from an affiliate or a government. Obligations rated "Ca" are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.
- C Issuers assessed "c" are typically in default, with little prospect for recovery of principal or interest; or, these issuers are benefiting from a government or affiliate support but are likely to be liquidated over time; without support there would be little prospect for recovery of principal or interest. Obligations rated "C" are the lowest rated and are typically in default, with little prospect for recovery of principal or interest.

Moody's appends numerical modifiers 1, 2 and 3 to each generic rating category from "Aa" through "Caa." The modifier 1 indicates that the issuer or obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category. Additionally, a "(hyb)" indicator is appended to all ratings of hybrid securities issued by banks, insurers, finance companies, and securities firms. Baseline credit assessments are expressed on a lower-case alpha-numeric scale that corresponds to the alpha-numeric ratings of the global long-term rating scale.

KEY TO STANDARD & POOR'S LONG-TERM ISSUE CREDIT RATINGS

The information on credit ratings below for both issuers and issues was taken from S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC website disclosure on "Ratings Definitions." The Fund makes no representations or warranties as to the accuracy or completeness of such information.

- AAA An obligation rated "AAA" has the highest rating assigned by S&P Global Ratings. The obligor's capacity to meet its financial commitment on the obligation is extremely strong. An obligor rated "AAA" has extremely strong capacity to meet its financial commitments. "AAA" is the highest issuer credit rating assigned by S&P Global Ratings.
- AA An obligation rated "AA" differs from the highest-rated obligations only in small degree. The obligor's capacity to meet its financial commitment on the obligation is very strong. An obligor rated "AA" has very strong capacity to meet its financial commitments. It differs from the highest-rated obligors only to a small degree.
- A An obligation rated "A" is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong. An obligor rated "A" has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories.
- BBB An obligation rated "BBB" exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitment on the obligation. An obligor rated "BBB" has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments.
- BB, B, CCC, CC and C Obligations rated "BB," "B," "CCC," "CC" and "C" are regarded as having significant speculative characteristics. "BB" indicates the least degree of speculation and "C" the highest. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions. Obligors rated "BB," "B," "CCC", and "CC" are regarded as having significant speculative characteristics. "BB" indicates the least degree of speculation and "CC" the highest. While such obligors will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.
- BB An obligation rated "BB" is less vulnerable to nonpayment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions, which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation. An obligor rated "BB" is less vulnerable in the near term than other lower-rated obligors. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitments.
- B An obligation rated "B" is more vulnerable to nonpayment than obligations rated "BB," but the obligor currently has the capacity to meet its financial commitment on the obligation. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitment on the obligation. An obligor rated "B" is more vulnerable than the obligors rated "BB", but the obligor currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitments.
- CCC An obligation rated "CCC" is currently vulnerable to nonpayment and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitment on the obligation. In the event of adverse business, financial, or economic conditions, the obligor is not likely to have the capacity to meet its financial commitment on the obligation. An obligor rated "CCC" is currently vulnerable, and is dependent upon favorable business, financial, and economic conditions to meet its financial commitments.

- CC An obligation rated “CC” is currently highly vulnerable to nonpayment.
- C A “C” rating is assigned to obligations that are currently highly vulnerable to nonpayment, obligations that have payment arrearages allowed by the terms of the documents, or obligations of an issuer that is the subject of a bankruptcy petition or similar action which have not experienced a payment default. Among others, the “C” rating may be assigned to subordinated debt, preferred stock or other obligations on which cash payments have been suspended in accordance with the instrument’s terms or where the instrument is the subject of a distressed exchange offer, whereby some or all of the issue is either repurchased for an amount of cash or replaced by other instruments having a total value that is less than par.
- R An obligor rated “R” is under regulatory supervision owing to its financial condition. During the pendency of the regulatory supervision the regulators may have the power to favor one class of obligations over others or pay some obligations and not others.
- D An obligation rated “D” is in default or in breach of an imputed promise. The “D” rating category is used when payments on an obligation are not made on the date due, unless S&P Global Ratings believes that such payments will be made within five business days in the absence of a stated grace period or within the earlier of the stated grace period or 30 calendar days. The “D” rating also will be used upon the filing of a bankruptcy petition or the taking of a similar action and where default on an obligation is a virtual certainty, for example due to automatic stay provisions. An obligation’s rating is lowered to “D” upon completion of a distressed exchange offer. An obligor rated “SD” (selective default) or “D” is in default on one or more of its financial obligations including rated and unrated financial obligations but excluding hybrid instruments classified as regulatory capital or in non-payment according to terms. An obligor is considered in default unless S&P Global Ratings believes that such payments will be made within five business days of the due date in the absence of a stated grace period, or within the earlier of the stated grace period or 30 calendar days. A “D” rating is assigned when S&P Global Ratings believes that the default will be a general default and that the obligor will fail to pay all or substantially all of its obligations as they come due. An “SD” rating is assigned when S&P Global Ratings believes that the obligor has selectively defaulted on a specific issue or class of obligations but it will continue to meet its payment obligations on other issues or classes of obligations in a timely manner. An obligor’s rating is lowered to “D” or “SD” if it is conducting a distressed exchange offer.
- Plus (+) or minus (-) The ratings from “AA” to “CCC” may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.
- pr The letters “pr” indicates that the rating is provisional. A provisional rating assumes the successful completion of the project financed by the debt being rated and indicates that payment of debt service requirements is largely or entirely dependent upon the successful, timely completion of the project. This rating, however, while addressing credit quality subsequent to completion of the project, makes no comment on the likelihood of or the risk of default upon failure of such completion. The investor should exercise his own judgment with respect to such likelihood and risk.
- NR This indicates that no rating has been requested, that there is insufficient information on which to base a rating, or that S&P Global Ratings does not rate a particular obligation as a matter of policy. An issuer designed “NR” is not rated.