

# Variable Rate Demand Obligations: Quick Facts

## VRDOs:

- VRDOs are investment-grade, variable-rate bonds with short-term demand features.
- VRDO interest rates generally reset on a daily or weekly basis.
- The terms of the bond include a contractual source of liquidity (put feature) through either:
  - *Standby Bond Purchase Agreement (SBPA)*
  - *Letter of credit (LOC)*
- Generally, interest from VRDOs is exempt from federal income taxes.<sup>1</sup>
- **Issuer's perspective:**  
VRDOs provide long-term financing at short-term interest rates.
- **Investor's perspective:**  
VRDOs may serve as a potential short-term investment due to their strong liquidity, investment grade and tax-exempt status. Certain limitations may apply.

Variable Rate Demand Obligations (VRDOs) are investment-grade, floating-rate bonds that provide investors with tax-exempt income in a short-term time frame.

The bonds' interest rates generally reset on a daily or weekly basis. VRDOs are issued with long-dated maturities of 20 to 30 years, but include short-term demand features that enhance liquidity and reduce duration. The minimum purchase amount for VRDOs is typically \$100,000.

The terms of the bond include a contractual source of liquidity, also known as a put feature, through either a Standby Bond Purchase Agreement (SBPA) or a letter of credit (LOC). This feature enables investors to sell their VRDOs to a remarketing agent at par plus accrued interest on the next put date. If the remarketing agent cannot remarket the bonds, they can be tendered with the financial institution providing the SPBA or LOC.

VRDOs are popular with many types of issuers, including state and local governments, health care entities and universities.

From the other perspective, investors may consider VRDOs as a potential short-term alternative due to their strong liquidity, investment grade and tax-exempt status. Certain limitations may apply.

Generally, interest from VRDOs is exempt from federal income taxes, and often is exempt from state and local income taxes if you are a resident in the issuing state.<sup>1</sup>

[www.invescopowershares.com/VRDO](http://www.invescopowershares.com/VRDO)

<sup>1</sup> Invesco PowerShares does not offer tax advice. Please consult a tax advisor for advice regarding your specific situation. There is not guarantee the interest generated from the VRDOs held within the Fund will be exempt from state and local taxes.

Investors may lose value in an investment of VRDOs, whereas cash generally maintains its value. VRDOs are not federally guaranteed. There may be fees associated with investing in a fund that invests in VRDOs. VRDOs are investment-grade, floating-rate bonds that provide investors with tax-exempt income in a short-term time frame. VRDOs are always purchased at par. When they are put back to an investment dealer, the investor receives par plus accrued interest. Yields are generally reset on a weekly basis.

**Variable Rate Debt Obligations Risk: There may not be an active secondary market with respect to particular variable rate instruments in which the Fund invests, which could make it difficult for the Fund to dispose of a variable rate instrument if the issuer and/or the Remarketing Agent defaulted on its payment obligation or during periods that the Fund is not entitled to exercise its demand rights, and the Fund could, for these or other reasons, suffer a loss with respect to such instruments. Municipal securities are subject to the risk that litigation, legislation or other political events; local business or economic conditions; or the bankruptcy of the issuer could have a significant effect on an issuer's ability to make payments of principal and/or interest. Municipal securities can be significantly affected by political changes as well as uncertainties in the municipal market related to taxation, legislative changes or the rights of municipal security holders. Because many securities are issued to finance similar projects, especially those relating to education, health care, transportation and utilities, conditions in those sectors can affect the overall municipal market. In addition, changes in the financial condition of an individual municipal insurer can affect the overall municipal market. Please see the prospectus for more complete information regarding VRDOs and municipal securities.**

Shares are not individually redeemable and owners of the shares may acquire those shares from the Funds and tender those shares for redemption to the Funds in Creation Unit aggregations only, typically consisting of 50,000 shares.

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

To learn more about VRDOs call **800.983.0903** or visit **[www.invescopowershares.com/VRDO](http://www.invescopowershares.com/VRDO)**.

A bond is considered to be investment grade if its credit rating is BBB or higher.

A floating-rate bond is a bond whose coupon fluctuates with a designated reference rate.

A put feature allows an investor to sell a security at a specified time and price.

A standby bond purchase agreement is a contractual source of liquidity from a financial institution enabling investors to sell their bond at par plus accrued interest.

A letter of credit is a contractual source of liquidity from a financial institution enabling investors to sell their bond at par plus accrued interest.

The information presented does not constitute tax advice. Please consult your tax advisor for specific information about your tax situation.

Invesco Aim Distributors, Inc. is the distributor of the PowerShares Exchange-Traded Fund Trust, the PowerShares Exchange-Traded Fund Trust II, the PowerShares India Exchange-Traded Fund Trust and the PowerShares Actively Managed Exchange-Traded Fund Trust.

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**An investor should consider the Fund's investment objective, risks, charges and expenses carefully before investing. For this and more complete information about the Fund, call 800.983.0903 or visit the website [www.invescopowershares.com](http://www.invescopowershares.com) for a prospectus. Please read the prospectus carefully before investing.**

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