Important Considerations and Risks of Investing in Master Limited Partnerships (MLPs)
Investments in publicly traded MLPs involve risks and considerations that may differ from investments in common stock.

Tax complexity risk: Master Limited Partnerships (MLPs) are generally considered pass-through entities for tax purposes and have special tax considerations. Pass-through entities may generate unrelated business taxable income (UBTI) that may have undesirable tax consequences for retirement accounts and other tax-exempt investors. If you hold MLP units, you are generally treated as a partner for tax purposes and will be issued a Schedule K-1 (Form 1065) rather than a Form 1099 form for use in filling out your tax return. A K-1 lists the partner's share of income, deductions, credits, and other tax items. If the MLP has operations in multiple states, you may need to file a separate tax return in each state.

An MLP that is treated as a corporation in the United States rather than a pass-through entity for federal income tax purposes would be obligated to pay federal income tax on its income at the corporate tax rate. In this case, the amount of cash available for distribution by the MLP would be reduced and part or all of the distributions made could be taxed entirely as dividend income. In this case a Form 1099 would be furnished rather than a Schedule K-1. Please see the MLP's website, SEC filings, or most recent shareholder report for further details about tax treatment of your investments.

Legislative risk: The tax treatment of publicly traded MLPs could be subject to potential legislative, judicial, or administrative changes, possibly on a retroactive basis. Any such changes in tax treatment could negatively impact the value of an investment in an MLP.

Concentration risk: Many MLPs are concentrated in the energy infrastructure sector. This narrow focus of MLPs may present considerably more risk than a diversified investment across numerous sectors of the economy.

Market risk: MLPs may exhibit high volatility particularly during periods of economic stress or due to other events impacting the particular sector or industry in which an MLP operates.

Interest rate risk: The market prices of MLPs are sensitive to changes in interest rates. As interest rates rise, the prices of MLP units may decline (and vice versa). Rising interest rates could also increase the MLP's cost of capital which may limit potential growth through acquisition or expansion and reduce distribution growth rates.

Distribution policy risk: All or a portion of an MLP's distribution may consist of a return of capital from your original investment. MLP unit holders should not assume that the source of a distribution is net profit from the MLP's operations.

Liquidity risk: Despite the fact that MLPs are publicly traded, investments in MLPs may be relatively illiquid due to their unique investment strategy, asset concentration or other factors. Lack of liquidity can negatively impact your ability to sell MLP units. Additionally, should a secondary market exist, investors who need to sell MLP units may be subject to a significant loss.

Commodity price risk: The price of MLP units may be negatively impacted by fluctuations in commodity prices. A significant decrease in the production or supply or sustained reduced demand for natural gas, oil, or other energy commodities would limit revenue and cash flows of MLPs and, therefore, the ability of MLPs to make distributions to unit holders.

Regulatory risk: The assets of MLPs tend to be heavily regulated by federal and state governments. Changes in regulation can adversely impact an MLP's profitability and therefore the value of MLP units.

Conflicts of Interest: The general partners of an MLP typically have limited fiduciary duties to the MLP and may have conflicts of interest which could result in the general partners favoring its own interests over the MLP's interests.