January 29, 2009 - "I'm considering the purchase of Salt Verde gas revenue bonds. These are tax free bonds with a 5% coupon, maturing in 2037, selling at a discounted price of 65% of par. The bond yield equals 7.8% tax free, representing about 12+% for the highest tax bracket."

Answer: This investor was able to provide the cusip number (the identifier number for this particular bond) to me, which enabled me to locate a prospectus describing the terms of the public offering. Developing an understanding of the terms of the offer helps the potential investor to do further analysis to decide if the purchase is justified. As this is a municipal revenue bond, some important questions to ask about the offer might be: Is the revenue secure? What municipality is backing the bond? Does the municipality guarantee the bond? What is the rating of the municipality? I also recommend the investor do additional homework about the financial strength of both the municipality and the producing company. Next steps would include a look at the economy and review the big picture for longer term viability of this funded project and its revenues. Another thing to look at is risk versus return. This particular bonds taxable yield is greater than 12% - a good indicator of high risk. My sense, however, is that this is a rather high risk investment and in today's market, my preference would be to preserve capital rather than risk it. My recommendation to this potential investor is not to purchase this bond.