

EATON VANCE MUNICIPAL INCOME TRUST
Form N-14 8C
December 19, 2008

As filed with the Securities and Exchange Commission on December 18, 2008
1933 Act File No. _____

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM N-14

REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933 [X]

Pre-Effective Amendment No. ____ []

Post-Effective Amendment No. ____ []

EATON VANCE MUNICIPAL INCOME TRUST

(Exact name of Registrant as Specified in Charter)

The Eaton Vance Building, 255 State Street, Boston, MA 02109

(Address of Principal Executive Offices)

(617) 482-8260

(Registrant's Telephone Number)

MAUREEN A. GEMMA

The Eaton Vance Building, 255 State Street, Boston, MA 02109

(Name and Address of Agent for Service)

With copies to:

Mark P. Goshko, Esq.

K&L Gates LLP

One Lincoln Street, Boston, MA 02111

Approximate Date of Proposed Public Offering: As soon as practicable after the effective date of the registration statement.

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Titles of Securities Being Registered	Amount Being Registered (1)	Proposed Maximum Offering Price Per Unit (1)	Proposed Maximum Aggregate Offering Price	Amount of Registration Fees (1)(2)
Common Stock \$0.01 par value	4,900,000	\$6.63	\$32,487,000	\$1,276.74
Auction Preferred Shares \$0.01 par value	806	\$25,000	\$20,150,000	\$791.90

- (1) Estimated solely for the purposes of calculation the filing fee, pursuant to Rule 457(o) under the Securities Act of 1933.
- (2) Transmitted prior to filing.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

EATON VANCE MUNICIPAL INCOME TRUST (the Registrant)

CONTENTS OF REGISTRATION STATEMENT ON FORM N-14

This Registration Statement contains the following papers and documents:

Cover Sheet

Contents of Registration Statement

Letter from the Presidents of Eaton Vance Municipal Income Trust and Eaton Vance National Municipal Income Trust

Notice of Special Meeting of Shareholders of Eaton Vance Municipal Income Trust and Eaton Vance National Municipal Income Trust

Part A Proxy Statement/Prospectus of Eaton Vance Municipal Income Trust and Eaton Vance National Municipal Income Trust

Part B Statement of Additional Information of Eaton Vance Municipal Income Trust

Part C Other Information

Signature Page

Exhibits

EATON VANCE NATIONAL MUNICIPAL INCOME TRUST
EATON VANCE MUNICIPAL INCOME TRUST

The Eaton Vance Building
255 State Street
Boston, Massachusetts 02109

January [], 2009

Dear Shareholder:

We cordially invite you to attend a joint Special Meeting of Shareholders of Eaton Vance National Municipal Income Trust (the Acquired Fund) and Eaton Vance Municipal Income Trust (the Acquiring Fund) (collectively, the Funds) on March 27, 2009 for the following purposes:

- The shareholders of the Acquired Fund will be asked to consider a proposal to approve an Agreement and Plan of Reorganization to merge the common shares of the Acquired Fund into common shares of the Acquiring Fund, and to merge the auction preferred shares (APS) of the Acquired Fund into APS, Series C, of the Acquiring Fund (the Reorganization).
- Common shareholders of the Acquiring Fund will be asked to vote on the issuance of additional common shares in connection with the Reorganization.

The enclosed combined Proxy Statement and Prospectus (Proxy Statement/Prospectus) describes the Reorganization in detail. We ask you to read the enclosed information carefully and to submit your vote promptly.

After consideration and recommendation by the Funds investment adviser, Eaton Vance Management, the Board of Trustees of each Fund has determined that the Reorganization is in the best interests of the Fund. The common shareholders of each Fund will benefit from the Reorganization because they will become common shareholders of a larger, more diversified fund. The investment objectives and policies of each Fund are identical and after the Reorganization the combined fund will have lower total operating expenses than each Fund. Because Acquiring Fund APS, Series C, will have the same characteristics as the Acquired Fund APS, Acquired Fund APS shareholders will not be affected by the Reorganization.

We realize that most shareholders will not be able to attend the meeting and vote their shares in person. However, the Funds do need your vote. You can vote by *mail, telephone*, or over the *Internet*, as explained in the enclosed material. If you later decide to attend the meeting, you may revoke your proxy and vote your shares in person. By voting promptly, you can help the Funds avoid the expense of additional solicitation.

If you would like additional information concerning this proposal, please call one of our service representatives at 1-800-262-1122 Monday through Friday 8:00 a.m. to 7:00 p.m. Eastern time. Your participation in this vote is extremely important.

Sincerely,

/s/ Robert B. MacIntosh

Robert B. MacIntosh
President
Eaton Vance Municipal Income Trust

Sincerely,

/s/ Cynthia J. Clemson

Cynthia J. Clemson
President
Eaton Vance National Municipal Income Trust

Your vote is important please return your proxy card promptly.

Shareholders are urged to sign and mail the enclosed proxy in the enclosed postage prepaid envelope or vote by telephone or over the Internet by following the enclosed instructions. Your vote is important whether you own a few shares or many shares.

**EATON VANCE NATIONAL MUNICIPAL INCOME TRUST
EATON VANCE MUNICIPAL INCOME TRUST**

**NOTICE OF A JOINT SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD MARCH 27, 2009**

To the holders of common shares and auction preferred shares of Eaton Vance National Municipal Income Trust (the Acquired Fund) and the holders of common shares of Eaton Vance Municipal Income Trust (the Acquiring Fund):

A joint special meeting of such shareholders will be held at Two International Place, Boston, Massachusetts, on March 27, 2008, at 1:30 p.m., Eastern Time, to consider the following:

Acquired Fund

1. A proposal to approve an Agreement and Plan of Reorganization between the Acquired Fund and the Acquiring Fund, the termination of the Acquired Fund's registration under the Investment Company Act of 1940, as amended (the 1940 Act), and the dissolution of the Acquired Fund under applicable state law. Under this Agreement, the Acquiring Fund will acquire substantially all of the assets and assume substantially all of the liabilities of the Acquired Fund in exchange for an equal aggregate value of newly-issued common shares of beneficial interest of the Acquiring Fund, with par value of \$0.01 per share, and newly-issued auction preferred shares (APS) with par value of \$0.01 per share and a liquidation preference of \$25,000 per share.

The Board of Trustees of the Acquired Fund recommends that you vote FOR this proposal.

Acquiring Fund

2. A proposal to approve the issuance of additional common shares of the Acquiring Fund in connection with the Agreement and Plan of Reorganization between the Acquired Fund and the Acquiring Fund.

The Board of Trustees of the Acquiring Fund recommends that you vote FOR this proposal.

3. Any other business that may properly come before the meeting and any adjourned or postponed sessions thereof.

Shareholders of record as of the close of business on January 23, 2009, are entitled to vote at the meeting or any adjournment thereof.

By order of the Boards of Trustees,
/s/ Maureen A. Gemma
Maureen A. Gemma
Secretary

January [], 2009

IMPORTANT

Shareholders can help the Boards of Trustees of the Funds avoid the necessity and additional expense of further solicitations, which may be necessary to obtain a quorum, by promptly returning the enclosed proxy or voting by telephone or over the Internet. The enclosed addressed envelope requires no postage if mailed in the United States and is included for your convenience.

**PROXY STATEMENT of
EATON VANCE NATIONAL MUNICIPAL INCOME TRUST
(the Acquired Fund)
and
EATON VANCE MUNICIPAL INCOME TRUST
(the Acquiring Fund)**

**PROSPECTUS for
Common Shares and Auction Preferred Shares, Series C, of
the Acquiring Fund**

**255 State Street
Boston, Massachusetts 02109**

We are sending you this combined Proxy Statement and Prospectus (Proxy Statement/Prospectus) in connection with the Joint Special Meeting of holders of common shares and action preferred shares (APS) of the Acquired Fund and holders of common shares of the Acquiring Fund (the Special Meeting) to be held on March 27, 2009 (the Meeting Date) at 1:30 p.m., Eastern time, at Two International Place, Boston, MA 02110. This document is both the Proxy Statement of each Fund and a Prospectus for the Acquiring Fund. (The Acquired Fund and the Acquiring Fund hereinafter are sometimes referred to as a Fund or collectively as the Funds). Each Fund is a Massachusetts business trust registered as a closed-end management investment company. A proxy is enclosed with the foregoing Notice of a Special Meeting of Shareholders for the benefit of shareholders who wish to vote, but do not expect to be present at the Special Meeting. Shareholders also may vote by telephone or via the Internet. The proxy is solicited on behalf of the Board of Trustees of each Fund.

This Proxy Statement/Prospectus relates to the proposed reorganization of the Acquired Fund into the Acquiring Fund (the Reorganization). The Agreement and Plan of Reorganization (the Plan) is attached as Appendix A. The Plan provides as follows:

- In the Reorganization, the Acquired Fund will transfer all of its assets and liabilities to the Acquiring Fund;
- The Acquiring Fund will issue common shares to the Acquired Fund equal in value to the net assets of the Acquired Fund attributable to its common shares immediately prior to the Reorganization;
- The Acquiring Fund will issue an additional series of APS to the Acquired Fund with an aggregate liquidation preference equal in value to the aggregate liquidation value of the Acquired Fund APS immediately prior to the Reorganization;
- The Acquired Fund will distribute the Acquiring Fund common shares so received to its common shareholders in proportion to their holdings immediately prior to the Reorganization;
- The Acquired Fund will distribute the Acquiring Fund APS so received to its APS holders in proportion to their holdings immediately prior to the Reorganization. As described in greater detail in this Proxy Statement/Prospectus, the terms of the Acquiring Fund APS received by Acquired Fund APS holders in the Reorganization will be the same as that of the Acquired Fund APS held immediately prior to the Reorganization;
- The Acquired Fund will then terminate its registration under the 1940 Act and dissolve under applicable state law; and
- After the Reorganization, the Acquiring Fund will continue to operate as a registered closed-end investment company with the investment objective and policies described in this Proxy Statement/ Prospectus.

The common shares of the Acquiring Fund are listed on the New York Stock Exchange (NYSE) under the ticker symbol EVN and will continue to be so listed after the Reorganization. The common shares of the Acquired Fund are listed on the NYSE Alternext US stock exchange (formerly, the American Stock Exchange) under the ticker symbol FEV. The Reorganization is conditioned upon the Acquiring Fund APS issued in the Reorganization

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receiving a rating of AAA from Standard & Poor's Rating Group (S&P). Reports, proxy statements and other information concerning the Acquiring Fund may be inspected at the offices of the NYSE, 20 Broad Street, New York, New York 10005, and concerning the Acquired Fund may be inspected at the offices of the NYSE Alternext US, 11 Wall Street, New York, NY 10005.

As described in the Proxy Statement/Prospectus, in approving the Reorganization, the Board of Trustees of each Fund determined that the Reorganization is in the best interest of each Fund and that no dilution will occur as a result of the Reorganization. In reaching this determination, each Board considered, among other things, the identical nature of the Funds' investment objectives, policies, restrictions and risk profiles, the lower total operating expenses that would be realized by common shareholders after the Reorganization, the economies that would be realized by allocating Fund expenses over a larger asset base after the Reorganization, and that the Reorganization is expected to be tax-free to the Funds and their shareholders, as well as other factors.

Each proxy will be voted in accordance with its instructions. If no instruction is given, an executed proxy will authorize the persons named as proxies, or any of them, to vote in favor of each matter. A written proxy is revocable by the person giving it prior to exercise by a signed writing filed with the Funds' proxy tabulator, [_____], [_____], or by executing and delivering a later dated proxy, or by attending the meeting and voting the shares in person. Proxies voted by telephone or over the Internet may be revoked at any time in the same manner that proxies voted by mail may be revoked. This Proxy Statement/Prospectus is initially being mailed to shareholders on or about January [], 2009. Supplementary solicitations may be made by mail, telephone, telegraph, facsimile or electronic means.

The Trustees have fixed the close of business on January 23, 2009 as the record date (Record Date) for the determination of the shareholders entitled to notice of and to vote at the meeting and any adjournments or postponements thereof. Holders of common shares and APS of the Acquired Fund and holders of common shares of the Acquiring Fund at the close of business on the Record Date will be entitled to one vote for each such share held.

This Proxy Statement/Prospectus sets forth concisely the information that you should know before voting. You should read and retain this Proxy Statement/Prospectus for future reference. To ask questions about this Proxy Statement/Prospectus, please call our toll-free number at 1-800-262-1122 Monday through Friday 8:00 a.m. to 7:00 p.m. Eastern time.

The following documents are on file with the Securities and Exchange Commission (SEC) or are available for no charge by calling Eaton Vance Management at 1-800-262-1122. The documents are incorporated by reference (and therefore legally part of) this Proxy Statement/Prospectus.

- The Acquiring Fund's annual report to shareholders dated November 30, 2008
- The Acquired Fund's annual report to shareholders dated November 30, 2008
- A Statement of Additional Information dated January [], 2009 that relates to this Proxy Statement/Prospectus and the Reorganization, and contains additional information about the Acquired Fund and the Acquiring Fund

Shares of the Acquiring Fund are not deposits or obligations of, or guaranteed or endorsed by, any bank or other depository institution. These shares are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.

Shares of the Acquiring Fund have not been approved or disapproved by the Securities and Exchange Commission nor has the Securities and Exchange Commission passed upon the accuracy or adequacy of this Proxy Statement/Prospectus. Any representation to the contrary is a criminal offense.

The date of this Proxy Statement/Prospectus is January [], 2009.

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No dealer, salesperson or any other person has been authorized to give any information or to make any representation other than those contained in this Proxy Statement/Prospectus, and you should not rely on such other information or representations.

PROPOSAL 1

APPROVE AGREEMENT AND PLAN OF REORGANIZATION

(Acquired Fund Shareholders Only)

The Board of each Fund, including the Trustees who are not interested persons (as defined in the Investment Company Act of 1940, as amended (the 1940 Act)) of the Fund (the Independent Trustees), unanimously approved the Plan for the Reorganization of the Acquired Fund into the Acquiring Fund. If the shareholders of the Acquired Fund approve the Agreement and Plan of Reorganization, and the common shareholders of the Acquiring Fund approve the issuance of additional common shares of the Acquiring Fund (as described in Proposal 2 below), then the Acquiring Fund common shares and the Acquiring Fund APS will be issued to the holders of common shares and APS, respectively, of the Acquired Fund in exchange for substantially all of the assets of the Acquired Fund and the assumption of substantially all of the liabilities of the Acquired Fund. The Acquired Fund will then terminate its registration under the 1940 Act and dissolve under applicable state law. The aggregate NAV of the Acquiring Fund common shares received in the Reorganization will equal the aggregate NAV of the Acquired Fund common shares held immediately prior to the Reorganization (though common shareholders may receive cash for their fractional shares). The aggregate liquidation preference of the Acquiring Fund APS received in the Reorganization will equal the aggregate liquidation preference of Acquired Fund APS held immediately prior to the Reorganization. The terms of the Acquiring Fund APS received in the Reorganization will be the same as that of the APS held immediately prior to the Reorganization. It is expected that the Acquiring Fund APS issued in the Reorganization will receive a rating of AAA from S&P.

The Reorganization seeks to combine two Funds with identical objectives and policies to achieve certain economies of scale and other operational efficiencies. The Reorganization has been considered by the Board of Trustees of each Fund. In reaching the decision to recommend that the shareholders of the Acquired Fund vote to approve the Reorganization, the Trustees, including the Independent Trustees, concluded that the Reorganization would be in the best interests of the Acquired Fund s shareholders and that the interests of existing shareholders would not be diluted as a consequence thereof. In making this determination, the Trustees considered a number of factors, including the following:

Elimination of Florida Intangibles Tax. Prior to January 1, 2007, the State of Florida imposed an intangibles tax on the value of stocks, bonds, other evidences of indebtedness and mutual fund shares. Florida municipal obligations were exempt from this tax. The repeal of the Florida state intangibles tax in 2007 reduced the attractiveness of Florida bonds to investors formerly subject to the intangibles tax. Accordingly, the Board revised the Acquired Fund s investment policies to eliminate the requirement that the Acquired Fund invest primarily in securities exempt from the Florida state intangibles tax, eliminated its investment policy that at least 65% of its total assets normally will be invested in municipal obligations issued by the State of Florida or its political subdivisions, agencies, authorities and instrumentalities, and changed its name to Eaton Vance Florida Plus Municipal Income Trust from Eaton Vance Florida Municipal Income Trust, in effect transforming the Fund into a national municipal bond fund. On June 19, 2008, the Acquired Fund changed its name from Eaton Vance Florida Plus Municipal Income Trust to its present name to reflect its increased exposure to municipal obligations of issuers outside the State of Florida. Given the substantial similarities between the Acquired Fund and the Acquiring Fund and the expected benefits from combining the Funds, the Board now believes it would be in the best interest of the Acquired Fund to reorganize into the Acquiring Fund.

Continuity of Objectives, Restrictions and Policies. The Acquired Fund and the Acquiring Fund have identical investment objectives, policies, restrictions and risk profiles. Each Fund invests primarily in municipal obligations exempt from federal income taxes. As a result of the Reorganization, the Acquired Fund common shareholders would be invested in a more diversified portfolio and their exposure to Florida obligations would decrease further.

Lower Fund Expenses. The annual advisory and administrative fee rates for both Funds are 0.70% and 0.20%, respectively, of average weekly gross assets. However, the Acquiring Fund has a lower total expense ratio than

the Acquired Fund due to its larger size,¹ and after the Reorganization the Acquired Fund's former common shareholders would realize an immediate decrease in Fund expenses.

Possible Reduction or Elimination of Trading Discounts to Net Asset Value per Share; Exchange Listing. Historically, the Acquiring Fund's common shares generally have traded at a smaller discount or a greater premium to NAV than has been the case for the Acquired Fund's common shares. While it is not possible to predict trading levels at the time the Reorganization closes, a significant reduction or elimination of the Acquired Fund's trading discount would be in the best interests of the Acquired Fund's common shareholders and would be consistent with historical differences in the trading trends of the Acquired Fund's shares as compared to trading in the Acquiring Fund's shares. There can be no assurance, however, that after the Reorganization, the common shares of the combined fund (the Combined Fund) will trade at a premium to NAV, or at a smaller discount to NAV than is currently the case for the Acquired Fund's common shares. While the Acquired Fund common shares trade on the NYSE Alternext US and the Acquiring Fund common shares trade on the NYSE, moving to the NYSE is not expected to have a substantive impact on the former common shareholders of the Acquired Fund.

Better Relative Investment Performance. Assuming the Reorganization occurred on November 3, 2008, the Acquired Fund's yield on common shares would have increased while the Acquiring Fund's yield on common shares would have remained substantially unchanged. The Acquiring Fund's total return at NAV for the three-year, five-year and life-of-fund period ended October 31, 2008 exceeded that of the Acquired Fund. The Acquired Fund outperformed the Acquiring Fund for the one-year period ended October 31, 2008.

No Effect on APS Holders. While it is not anticipated that the Reorganization will directly benefit holders of either Fund's APS, the Reorganization will not materially adversely affect holders of either Fund's APS. As discussed below in greater detail, since mid-February 2008 the market for APS has become generally illiquid and many investors have not been able to sell their securities through the auction process. See Risk Factors and Special Considerations Special Risks Related to APS Auction Risk. The Reorganization is not expected to have any effect on the market for the Funds' APS.

No Dilution. After the Reorganization, each former common shareholder of the Acquired Fund will own common shares of the Acquiring Fund equal to the aggregate value of his or her shares of the Acquired Fund immediately prior to the Reorganization. Because shares of the Acquiring Fund will be issued at NAV in exchange for the assets of the Acquired Fund, that, net of the liabilities of the Acquired Fund assumed by the Acquiring Fund, will equal the aggregate value of those shares, the Acquiring Fund's NAV will be unchanged. Thus, the Reorganization will not result in any dilution to shareholders.

No Tax Consequences. The Acquired Fund is expecting to obtain an opinion of counsel that the Reorganization will be tax-free for federal income tax purposes. Acquired Fund shareholders are not expected to recognize a taxable gain or loss on the receipt of shares of the Acquiring Fund in liquidation of their interest in the Acquired Fund. Their tax basis in the Acquired Fund shares received in the Reorganization will be the same as their tax basis in their Acquired Fund shares, and the tax holding period will be the same. The Acquiring Fund tax basis for the assets received in the Reorganization will be the same as the Acquired Fund's basis immediately before the Reorganization, and the Acquiring Fund's tax holding period for those assets will include the Acquired Fund's holding period. Furthermore, it is not anticipated that the Reorganization will preclude utilization of any of the capital loss carryovers of either Fund.

Economies of Scale and Other Potential Benefits. A Combined Fund would offer economies of scale that may lead to lower per share expenses for common shareholders. Such economies may be realized with respect to exchange listing fees, printing fees, costs for legal, auditing, custodial and administrative services, and miscellaneous fees. In addition, the greater asset size of the Combined Fund may result in greater trading flexibility for the Combined Fund, as well as allowing it to enter large block trades, obtain better net prices on

¹ As of October 31, 2008, the Acquiring Fund had total net assets of approximately \$271.9 million and the Acquired Fund had total net assets of approximately \$61.9 million.

securities trades, enter into transactions unavailable to a smaller fund, and achieve greater diversification of portfolio holdings.

Terms of the Plan. The Trustees considered the terms and conditions of the Plan and the costs associated with the Reorganization to be borne by the Funds' common shareholders. The Acquired Fund will bear its own costs of the Reorganization, including legal costs, costs associated with the solicitation of its shareholders and costs associated with the issuance of new APS, estimated to be approximately \$180,000. The Acquiring Fund will also bear its own costs of the Reorganization, including legal costs and costs associated with the solicitation of its common shareholders, estimated to be approximately \$260,000.

Effect on Eaton Vance. After the reorganization, because the Funds have identical advisory and administrative fees, the Funds' investment adviser, Eaton Vance Management (Eaton Vance, or the Adviser) will continue to collect advisory and administrative fees on the Acquired Fund's assets acquired by the Acquiring Fund at the current rates.

The Board of the Acquired Fund recommends that shareholders of the Acquired Fund approve the Fund's proposed Reorganization at the Special Meeting to be held on March 27, 2009. Shareholder approval of the Reorganization requires, with respect to the Acquired Fund, the vote of the holders of at least a majority of the common shares and APS, voting together. Subject to the requisite approval of the shareholders of each Fund as described in this Proposal and Proposal 2 below, it is expected that the closing date of the Reorganization will be on the most practicable Acquired Fund APS dividend payment date following the shareholders' meeting.

PROPOSAL 2

APPROVE ISSUANCE OF ADDITIONAL ACQUIRING FUND COMMON SHARES (Acquiring Fund Common Shareholders Only)

In connection with the proposed Reorganization described above under "Proposal 1: Approve Agreement and Plan of Reorganization," the Acquiring Fund will issue additional Acquiring Fund common shares and list such shares on the NYSE. While applicable state and federal law does not require the shareholders of the Acquiring Fund to approve the Reorganization, applicable NYSE rules require the common shareholders of the Acquiring Fund to approve the issuance of additional Acquiring Fund common shares in connection with the Reorganization.

As described in greater detail under Proposal 1, the Reorganization seeks to combine two substantially similar Funds to achieve certain economies of scale and other operational efficiencies. The Reorganization has been considered by the Board of Trustees of each Fund. In reaching the decision to recommend that the shareholders of the Acquiring Fund vote to approve the issuance of additional Acquiring Fund common shares in connection with the Reorganization, the Trustees, including the Independent Trustees, concluded that the Reorganization would be in the best interests of the Acquiring Fund's shareholders and that the interests of existing shareholders would not be diluted as a consequence thereof.

In making this determination, the Trustees considered a number of factors, including those described above under Proposal 1. In particular, the Trustees considered that:

- *Lower Fund Expenses.* The Acquiring Fund is expected to benefit from a reduced annual operating expense ratio as a result of the Reorganization.
- *No Dilution.* The aggregate NAV of the Acquiring Fund's common shares issued in the Reorganization will equal the aggregate NAV of the Acquired Fund's common shares held immediately prior to the Reorganization (though Acquired Fund shareholders may receive cash for their fractional shares). Accordingly, the Reorganization will result in no reduction of the NAV of the Acquiring Fund common shares.
- *No Tax Consequences.* No gain or loss is expected to be recognized by the Acquiring Fund or its shareholders in connection with the Reorganization. The Acquiring Fund tax basis for the assets received

in the Reorganization will be the same as the Acquired Fund's basis immediately before the Reorganization, and the Acquiring Fund's tax holding period for those assets will include the Acquired Fund's holding period. Furthermore, it is not anticipated that the Reorganization will preclude utilization of any of the capital loss carryovers of either Fund.

- *Economies of Scale and Other Potential Benefits.* The greater asset size of a Combined Fund would offer economies of scale that may lead to lower per share expenses for common shareholders of the Acquiring Fund and may result in greater trading flexibility for the Fund.
- *Continuity of Objectives, Restrictions and Policies.* The Acquiring Fund will continue to operate as a registered closed-end investment company with the same investment objective, policies, restrictions and risk profiles as described in this Proxy Statement/Prospectus, but with the benefits described above.

The Board of the Acquiring Fund recommends that you vote FOR the issuance of additional Acquiring Fund common shares in connection with the Reorganization at the Special Meeting to be held on March 27, 2009.

Shareholder approval of the issuance of additional Acquiring Fund common shares requires the affirmative vote of a majority of the votes cast on the proposal, provided that a majority of Acquiring Fund common shareholders are present in person or by proxy at the meeting. Subject to the requisite approval of the shareholders of each Fund as described in this Proposal and Proposal 1 above, it is expected that the closing date of the Reorganization will be on the most practicable Acquired Fund APS dividend payment date following the shareholders' meeting.

SUMMARY

Comparison of the Funds. The following is a summary of certain information contained elsewhere in this Proxy Statement/Prospectus and is qualified in its entirety to the more complete information contained herein and in the Statement of Additional Information. Shareholders should read the entire Proxy Statement/Prospectus carefully.

Investment Objectives and Policies. Each Fund is a diversified, closed-end management investment company registered under the 1940 Act. During normal market conditions, at least 80% of each Fund's net assets will be invested in municipal obligations, the interest on which is exempt from federal income tax (municipal obligations or municipal bonds). At least 65% of each Fund's total assets will normally be invested in municipal obligations rated at least investment grade at the time of investment (which are those rated Baa or higher by Moody's Investors Service, Inc. (Moody's) or BBB or higher by either S&P or by Fitch Ratings (Fitch)), or, if unrated, determined by Eaton Vance to be of at least investment grade quality. Each Fund may invest up to 35% of its total assets in municipal obligations rated below investment grade and unrated municipal obligations considered to be of comparable quality by Eaton Vance, except that no more than 30% of total assets may be rated lower than B. Under normal market conditions, each Fund expects to be fully invested (at least 95% of its net assets) in accordance with its investment objective.

Each Fund may purchase derivative instruments, which derive their value from another instrument, security or index, including financials futures contracts and related options, interest rate swaps and forward rate contracts. Each Fund also may invest in residual interests of a trust (the trust) that holds municipal securities (tender option bonds or TOBs). The trust will also issue floating rate notes to third parties that may be senior to a Fund's residual interest (inverse floaters). See Tender option bonds (TOBs) in the table following Comparison of the Funds: Investment Objectives and Policies below. Each Fund may purchase and sell various kinds of financial futures contracts and related options, including futures contracts and related options based on various debt securities and securities indices, as well as interest rate swaps and forward rate contracts, to seek to hedge against changes in interest rates or for other risk management purposes or as a substitute for the purchase of securities.

Purchase and Sale of Fund Shares. Purchase and sale procedures for the common shares and APS of each Fund are identical, except that common shares of the Acquired Fund are traded on the NYSE Alternext US stock exchange while common shares of the Acquiring Fund are traded on the NYSE. Investors typically purchase and sell common shares of the Funds through a registered broker-dealer on the applicable stock exchange, or may purchase or sell common shares through privately negotiated transactions with existing shareholders. When initially offered, it was contemplated that each Fund's APS would be purchased and sold at separate auctions conducted on a regular basis

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(unless a Fund elects, subject to certain conditions, to declare a special dividend period). However, since mid-February 2008 the functioning of the auction markets for certain types of auction rate securities (including APS) have been disrupted by an imbalance between buy and sell orders. As a result of this imbalance, auctions for APS have not cleared and APS generally have become illiquid. There is no current expectation that these circumstances will change following the Reorganization and it is possible that the APS markets will not resume normal functioning.

Unsuccessful auctions are not a default and the Funds have continued to pay dividends to all APS holders. As described in greater detail below, in the absence of a functioning auction, the dividend rate payable on outstanding APS is set at a specified applicable maximum rate as determined by the Fund By-laws. While broker-dealers may maintain a secondary trading market in APS outside of auctions, historically they have not done so. The broker-dealers have no obligation to make a secondary market in APS outside of the auction and there can be no assurance that a secondary market for APS will develop or, if it does develop, that it will provide holders with liquidity of investment. Eaton Vance has been closely monitoring developments in the APS market and has engaged in a variety of efforts to restore liquidity to APS holders of the Funds and other closed-end funds sponsored by Eaton Vance. With respect to the Funds, a portion of their outstanding APS recently was redeemed with replacement financing consisting of tender option bonds.

Redemption Procedures. Redemption procedures for the Acquired Fund and Acquiring Fund are also similar. The common shares of each Fund have no redemption rights. However, the Board of each Fund may consider open market share repurchases of, or tendering for, common shares to seek to reduce or eliminate any discount in the market place of the common shares from the NAV thereof. Each Fund's ability to repurchase, or tender for, its common shares may be limited by the 1940 Act asset coverage requirements and by the rating agency rating the APS. Although neither Fund will ordinarily redeem APS, it may be required to redeem APS if, for example, the Fund does not meet an asset coverage ratio required by law or in order to correct a failure to meet the rating agency's guidelines in a timely manner. See *Additional Information About APS Redemption* Mandatory Redemption. A Fund may voluntarily redeem APS in certain circumstances. See *Additional Information About APS Redemption* Optional Redemption in Appendix B, which provides additional information about purchases and sales of APS.

Comparison of the Funds:

Investment Objectives and Policies

The investment objectives, investment policies and risks of each Fund are substantially identical. During normal market conditions, at least 80% of each Fund's net assets will be invested in municipal obligations, the interest on which is exempt from federal income tax. Set forth below is a comparison of the Funds, including their investment objectives, policies and other pertinent factors.

	Acquired Fund	Acquiring Fund
Business	Diversified, closed-end management investment company organized as a Massachusetts business trust.	
Investment objective	To provide current income exempt from federal income tax.	
Net assets attributable to common shares as of November 30, 2008	\$37.5 million	\$140.2 million
Listing (common shares)	NYSE Alternext US (ticker symbol FEV)	NYSE (ticker symbol EVN)

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	Acquired Fund	Acquiring Fund
Rating of APS	One series, rated AAA by S&P	Two series, rated AAA by S&P
Fiscal year end	November 30	
Investment adviser	Eaton Vance	
Portfolio manager	<p>Thomas M. Metzold, CFA</p> <p>Mr. Metzold joined Eaton Vance as a high yield municipal bond analyst in 1987 and a portfolio manager since 1991. He is a Vice President of Eaton Vance and Boston Management and Research, an affiliate of Eaton Vance (BMR).</p>	
Primary investments	<p>Each Fund invests substantially (at least 80%) in municipal obligations, which includes bonds, notes and commercial paper issued by a municipality for a wide variety of both public and private purposes, the interest on which is, in the opinion of issuer s counsel (or on the basis of other reliable authority), exempt from federal income tax.</p> <p>Public purpose municipal bonds include general obligation and revenue bonds. General obligation bonds are backed by the taxing power of the issuing municipality. Revenue bonds are backed by the revenues of a project or facility or from the proceeds of a specific revenue source. Some revenue bonds are payable solely or partly from funds that are subject to annual appropriations by a state s legislature. Municipal notes include bond anticipation, tax anticipation and revenue anticipation notes. Bond, tax and revenue anticipation notes are short-term obligations that will be retired with the proceeds of an anticipated bond issue, tax revenue or facility revenue, respectively.</p>	
Investment strategy	<p>During normal market conditions, at least 65% of each Fund s total assets will normally be invested in municipal obligations rated at least investment grade at the time of investment (Baa or higher by Moody s or BBB or higher by S&P or Fitch), or, if unrated, determined by Eaton Vance to be of at least investment grade quality. Each Fund may invest up to 35% of its total assets in municipal obligations rated below investment grade and unrated municipal obligations considered to be of comparable quality by Eaton Vance, except that no more than 30% of total assets may be rated lower than B.</p> <p>The foregoing credit quality policies apply only at the time a security is purchased, and neither Fund is required to dispose of a security in the event that a rating agency downgrades its assessment of the credit characteristics of a particular issue or withdraws its assessment. In determining whether to retain or sell such a security, Eaton Vance may consider such factors as Eaton Vance s assessment of the credit quality of the issuer of such security, the price at which such security could be sold and the rating, if any, assigned to such security by rating agencies. Although Eaton Vance considers ratings when making investment decisions, it</p>	

performs its own credit and investment analysis and does not rely primarily on the ratings assigned by rating agencies. Credit quality can change from time to time, and recently issued credit ratings may not fully reflect the actual risks posed by a particular security or the issuer's current financial condition.

Acquired Fund	Acquiring Fund
Tender option bonds (TOBs)	<p>Each Fund may invest in residual interests of a trust (the trust) that holds municipal securities (tender option bonds). The trust will also issue floating rate notes (Floating Rate Notes) to third parties that may be senior to a Fund s residual interest. A Fund receives interest payments on TOBs that bear an inverse relationship to the interest rate paid on the Floating Rate Notes (inverse floaters). Typically, a Fund will sell a municipal bond to the trust to create the TOB. Each Fund may use the proceeds of such sale for investment purposes, and may invest in TOBs to finance APS redemptions. As a result of Financial Accounting Standards Statement No. 140 (FAS 140), interest paid by the trust to the Floating Rate Note holders may be reflected as income in a Fund s financial statements with an offsetting expense for the interest paid by the trust to the Floating Rate Note holders. The Fund will hold the TOB residuals and may use the proceeds of the sale of TOB floaters for investment purposes. Each Fund may do so to create investment leverage and replace all or a portion of its outstanding APS. See Leverage below. The TOB floaters are subject to a liquidity backstop financing facility provided by a major financial institution.</p>
Leverage	<p>Each Fund uses leverage created by issuing APS and investing in TOBs, as described above, to seek opportunities for increased net income. The use of leverage involves special risks. See Leverage Risk under Risk Factors and Special Considerations below.</p>
Municipal leases	<p>Each Fund may invest in municipal leases and participations therein. Municipal leases are obligations in the form of a lease or installment purchase arrangement which is issued by the state or local government to acquire equipment and facilities.</p>
Investment companies	<p>Each Fund may purchase common shares of closed-end investment companies that have similar investment objectives and policies to the Fund. In addition to providing tax-exempt income, such securities may provide capital appreciation. Such investments, which may also be leveraged and subject to the same risks as a Fund, will not exceed 10% of total assets, and no such company will be affiliated with Eaton Vance. These companies bear fees and expenses that a Fund will incur indirectly.</p>
Illiquid securities	<p>At times, a substantial portion of each Fund s assets may be invested in securities for which there is no readily available trading market or are subject to restrictions on resale, which includes residual interest municipal bonds.</p>
When-issued purchases	<p>Each Fund may purchase securities on a when-issued basis, which means that payment and</p>

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delivery occur on a future settlement date. The price and yield of such securities are generally

fixed on the date of commitment to purchase. However, the market value of the securities may fluctuate prior to delivery and upon delivery the securities may be worth more or less than what a Fund agreed to pay for them. A Fund may be required to maintain a segregated account of liquid assets equal to outstanding purchase commitments. Each Fund may also purchase instruments that give the Fund the option to purchase a municipal obligation when and if issued.

Zero-Coupon
Bonds

Zero-coupon bonds are issued at a significant discount from face value and pay interest only at

maturity rather than at intervals during the life of the security. These bonds are subject to greater fluctuation in response to changes in market interest rates than bonds that pay interest

currently. The Fund is required to take into account income from zero-coupon bonds on a current basis, even though it does not receive that income currently in cash, and the Fund is

required to distribute substantially all of its income for each taxable year. Thus, the Fund may

have to sell other investments to obtain cash needed to make income distributions.

Acquired Fund	Acquiring Fund
Active trading	<p>Each Fund's portfolio manager makes portfolio adjustments that reflect the Fund's investment strategy but does not trade securities for the Fund for the purpose of seeking short-term profits. However, if a Fund is required to sell assets to effect mandatory redemptions to repurchase common shares, or APS, the Fund's portfolio turnover may be higher than would otherwise be the case.</p> <p>The portfolio turnover rate for the Acquired Fund for the fiscal year ended November 30, 2008 was ___% and the portfolio turnover rate for the Acquiring Fund for the same period was ___%.</p>
Futures and related options	<p>Each Fund may purchase and sell various kinds of financial futures contracts and options thereon to seek to hedge against changes in interest rates or for other risk management purposes or as a substitute for the purchase of securities. Futures contracts may be based on various debt securities and securities indices (such as the Municipal Bond Index traded on the Chicago Board of Trade). Such transactions involve a risk of loss or depreciation due to unanticipated adverse changes in securities prices, which may exceed a Fund's initial investment in these contracts. A Fund will only purchase or sell futures contracts or related options in compliance with the rules of the Commodity Futures Trading Commission. These transactions involve transaction costs. There can be no assurance that Eaton Vance's use of futures will be advantageous to a Fund. Distributions by a Fund of any gains realized on the Fund's transactions in futures and options on futures will be taxable. Rating agency guidelines on each Fund's APS limit use of these transactions.</p>
Interest rate swaps and forward rate contracts	<p>Interest rate swaps involve the exchange by a Fund with another party of their respective commitments to pay or receive interest, <i>e.g.</i>, an exchange of fixed rate payments for floating rate payments. Each Fund will only enter into interest rate swaps on a net basis, <i>i.e.</i>, the two payment streams are netted out with the Fund receiving or paying, as the case may be, only the net amount of the two payments. Each Fund may also enter forward rate contracts. Under these contracts, the buyer locks in an interest rate at a future settlement date. If the interest rate on the settlement date exceeds the lock rate, the buyer pays the seller the difference between the two rates. If the lock rate exceeds the interest rate on the settlement date, the</p>

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seller pays the buyer the difference between the two rates. Any such gain received by a Fund

would be taxable.

If the other party to an interest rate swap or forward rate contract defaults, a Fund's risk of

loss consists of the net amount of payments that the Fund is contractually entitled to receive.

The net amount of the excess, if any, of each Fund's obligations over its entitlements will be

maintained in a segregated account by the Fund's custodian. Each Fund will not enter into

any interest rate swap or forward rate contract unless the claims-paying ability of the other

party thereto is considered to be investment grade by the Adviser. If there is a default by the

other party to such a transaction, a Fund will have contractual remedies pursuant to the agreements related to the transaction. These instruments are traded in the over-the-counter

market.

Insured

Obligations

Each Fund may purchase municipal bonds that are additionally secured by insurance, bank

credit agreements, or escrow accounts. The credit quality of companies which provide such

credit enhancements will affect the value of those securities. Although the insurance feature

reduces certain financial risks, the premiums for insurance and the higher market price paid

for insured obligations may reduce the Fund's current yield. The insurance feature does not

guarantee the market value of the insured obligations or the net asset value of the Fund's

shares. To the extent that securities held by a Fund are insured as to principal and interest

payments by insurers whose claims-paying ability is downgraded by a rating agency, the value

of such security may be affected.

Acquired Fund	Acquiring Fund
Borrowings	<p>Current S&P rating guidelines prohibit the Funds from borrowing money, except for purpose of clearing transactions in portfolio securities, unless S&P has advised the Fund in writing that</p> <p>any such action would not adversely affect the then-current rating of the APS by S&P.</p>

Risk Factors and Special Considerations

The risk factors and other special considerations for investing in each Fund are set forth below. Risk is inherent in all investing. Investing in any investment company security involves risk, including the risk that you may receive little or no return on your investment or even that you may lose part or all of your investment. Because each Fund, under normal market conditions, invests a substantial amount of its assets in municipal bonds, any risks inherent in such investments are equally applicable to each Fund and will continue to apply to the Combined Fund after the Reorganization. Risks that are unique to a particular Fund are indicated as such below. The Reorganization itself is not expected to adversely affect the rights of shareholders of either of the Funds or to create additional risks.

Credit Risk. Credit risk is the risk that one or more municipal obligations in a Fund’s portfolio will decline in price, or fail to pay interest or principal when due, because the issuer of the obligation experiences a decline in its financial status. Changes in the credit quality of the issuers of municipal obligations held by a Fund will affect the principal value of (and possibly the income earned on) such obligations. In addition, the values of such securities are affected by changes in general economic conditions and business conditions affecting the relevant economic sectors. Changes by rating agencies in their ratings of a security and in the ability of the issuer to make payments of principal and interest may also affect the value of a Fund’s investments. The amount of information about the financial condition of an issuer of municipal obligations may not be as extensive as that made available by corporations whose securities are publicly traded.

In general, lower rated municipal bonds carry a greater degree of risk that the issuer will lose its ability to make interest and principal payments, which could have a negative impact on a Fund’s NAV or dividends. Securities rated Baa or BBB are considered investment grade but they also may have some speculative characteristics. As indicated above, each Fund may invest up to 35% of its total assets in municipal obligations rated below investment grade (but not, with respect to more than 30% of its total assets, lower than B by all rating agencies rating the obligation) and comparable unrated obligations. Such obligations, commonly called junk bonds, will have speculative characteristics in varying degrees and are more volatile than higher rated obligations. Also, changes in economic conditions or other circumstances are more likely to reduce the capacity of issuers of lower-rated obligations to make principal and interest payments. It may also be more difficult to value certain lower rated obligations because of the inability (or perceived inability) of the issuer to make interest and principal payments. When a Fund invests in lower rated or unrated municipal obligations, the achievement of the Fund’s goals is more dependent on the Adviser’s credit analysis than would be the case if the Fund were investing in municipal obligations in the higher rating categories. In evaluating the credit quality of a particular issue, whether rated or unrated, Eaton Vance will normally take into consideration, among other things, the financial resources of the issuer (or, as appropriate, of the underlying source of funds for debt service), its sensitivity to economic conditions and trends, any operating history of and the community support for the facility financed by the issue, the ability of the issuer’s management and regulatory matters.

Increases in interest rates and changes in the economy may adversely affect the ability of issuers of lower grade municipal securities to pay interest and to repay principal, to meet projected financial goals and to obtain additional financing. In the event that an issuer of securities held by a Fund experiences difficulties in the timely payment of principal or interest and such issuer seeks to restructure the terms of its borrowings, the Fund may incur additional expenses. Further, each Fund may incur additional expenses to the extent that it is required to seek recovery upon a default in the payment of interest or the repayment of principal on its portfolio holdings, and the Fund may be unable to obtain full recovery thereof. To the extent that there is no established retail market for some of the lower grade municipal securities in which each Fund may invest, trading in such securities may be relatively inactive. During periods of reduced market liquidity and in the absence of readily available market quotations for lower grade municipal securities held in a Fund’s portfolio, valuing such securities becomes more difficult. The effects of adverse publicity and investor perceptions may be more pronounced for securities for which no established retail

market exists as compared with the effects on securities for which such a market does exist. Further, a Fund may have more difficulty selling such securities in a timely manner and at their stated value than would be the case for securities for which an established retail market does exist.

Municipal obligations held by each Fund that are of below investment grade quality but which, subsequent to the assignment of such rating, are backed by escrow accounts containing U.S. Government obligations may be determined by Eaton Vance to be of investment grade quality for purposes of each Fund's investment policies. Each Fund may retain in its portfolio an obligation that declines in quality, including defaulted obligations, if such retention is considered desirable by Eaton Vance. In the case of a defaulted obligation, each Fund may incur additional expense seeking recovery of its investment.

Although the Adviser considers ratings when making investment decisions, it performs its own credit and investment analysis and does not rely primarily on the ratings assigned by the rating services. Credit ratings are based largely on the issuer's historical financial condition and the rating agency's investment analysis at the time of rating, and the rating assigned to any particular security is not necessarily a reflection of the issuer's current financial condition. The rating assigned to a security by a rating agency does not reflect assessment of the volatility of the security's market value or of the liquidity of an investment in the security. Credit quality in the sectors of the market can change from time to time, and recently issued credit ratings may not fully reflect the actual risks posed by a particular security.

If a rating agency lowers its rating of municipal obligations in a Fund's portfolio, the value of those municipal obligations could decline, which could also jeopardize the rating agency's rating of the APS. Because the primary source of income for each Fund is the interest and principal payments on the municipal obligations in which it invests, any default by an issuer of a municipal obligation could also have a negative impact on a Fund's ability to pay dividends on the APS and could result in the redemption of some or all of the APS. See also *Municipal Bond Insurer Risk* below.

Each Fund may invest in municipal leases and participations in municipal leases. The obligation of the issuer to meet its obligations under such leases is often subject to the appropriation by the appropriate legislative body, on an annual or other basis, of funds for the payment of the obligations. Investments in municipal leases are thus subject to the risk that the legislative body will not make the necessary appropriation and the issuer will not otherwise be willing or able to meet its obligation.

Interest Rate Risk. If long-term rates rise, the value of each Fund's investment portfolio will decline, also reducing the amount of assets serving as asset coverage for each Fund's APS. APS pay dividends based on short-term interest rates, and uses the proceeds to buy municipal obligations, which pay interest based on longer-term yields. Longer-term municipal obligation yields are typically, although not always, higher than short-term interest rates. Both long-term and short-term interest rates may fluctuate. If short-term interest rates rise, APS rates may rise such that the amount of dividends paid to APS holders exceeds the income from the portfolio securities purchased with the proceeds from the sale of APS. Because income from each Fund's entire investment portfolio (not just the portion purchased with the proceeds of the APS offering) is available to pay APS dividends, however, APS dividend rates would need to greatly exceed a Fund's net portfolio income before that Fund's ability to pay APS dividends would be jeopardized. If long-term rates rise, the value of each Fund's investment portfolio will decline, reducing the amount of assets serving as asset coverage for the APS.

Market Risk. The prices of municipal obligations tend to fall as interest rates rise. Securities that have longer maturities tend to fluctuate more in price in response to changes in market interest rates. This risk is usually greater among municipal obligations with longer maturities or durations and when residual interest bonds are held by a Fund. To the extent the Fund invests in a portfolio of longer-term securities it will be subject to greater market risk than a fund investing solely in shorter-term securities. Market risk is often greater among certain types of income securities, such as zero-coupon bonds, which do not make regular interest payments. As interest rates change, these bonds often fluctuate in price more than higher quality bonds that make regular interest payments. Because each Fund may invest in these types of income securities, it may be subject to greater market risk than a fund that invests only in current interest paying securities.

Income Risk. The income investors receive from a Fund is based primarily on the interest it earns from its investments, which can vary widely over the short- and long-term. If long-term interest rates drop, a Fund's income available over time to make dividend payments with respect to APS could drop as well if the Fund purchases securities with lower interest coupons.

Call and Other Reinvestment Risk. If interest rates fall, it is possible that issuers of callable bonds with high interest coupons will call (or prepay) their bonds before their maturity date. If a call were exercised by the issuer during a period of declining interest rates, a Fund is likely to replace such called security with a lower yielding security. If that were to happen, it could decrease the Fund's dividends and possibly could affect the market price of common shares. Similar risks exist when a Fund invests the proceeds from matured or traded municipal obligations at market interest rates that are below the Fund's current earnings rate.

Liquidity Risk. At times, a substantial portion of each Fund's assets may be invested in securities as to which the Fund, by itself or together with other accounts managed by Eaton Vance and its affiliates, holds a major portion of all of such securities. Under adverse market or economic conditions or in the event of adverse changes in the financial condition of the issuer, a Fund could find it more difficult to sell such securities when Eaton Vance believes it is advisable to do so or may be able to sell such securities only at prices lower than if such securities were more widely held. Under such circumstances, it may also be more difficult to determine the fair value of such securities for purposes of computing the Fund's net asset value.

The secondary market for some municipal obligations is less liquid than that for taxable debt obligations or other more widely traded municipal obligations. These include residual interest municipal bonds. No established resale market exists for certain of the municipal obligations in which the Fund may invest. The market for obligations rated below investment grade is also likely to be less liquid than the market for higher rated obligations. As a result, the Fund may be unable to dispose of these municipal obligations at times when it would otherwise wish to do so at the prices at which they are valued.

Inflation Risk. Inflation risk is the risk that the value of assets or income from investment will be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of Fund shares and distributions thereon can decline.

Municipal Bond Market Risk. Investing in the municipal bond market involves certain risks. The amount of public information available about the municipal obligations in each Fund's portfolio is generally less than for corporate equities or bonds, and the investment performance of each Fund may therefore be more dependent on the analytical abilities of Eaton Vance than if the Fund were a stock fund or taxable bond fund.

The ability of municipal issuers to make timely payments of interest and principal may be diminished during general economic downturns and as governmental cost burdens are reallocated among federal, state and local governments. In addition, laws enacted in the future by Congress or state legislatures or referenda could extend the time for payment of principal and/or interest, or impose other constraints on enforcement of such obligations, or on the ability of municipalities to levy taxes. Issuers of municipal securities might seek protection under the bankruptcy laws. In the event of bankruptcy of such an issuer, each Fund could experience delays in collecting principal and interest to which it is entitled. To enforce its rights in the event of default in the payment of interest or repayment of principal, or both, each Fund may take possession of and manage the assets securing the issuer's obligations on such securities, which may increase the Fund's operating expenses. Any income derived from a Fund's ownership or operation of such assets may not be tax-exempt.

Municipal Bond Insurer Risk. In the event that any rating agency (or all of them) should downgrade its assessment of the claims-paying ability of a particular insurer, it could negatively impact the value of obligations insured by such insurer. In addition, to the extent a Fund obtains separate insurance on an issuer (Portfolio Insurance), the Fund may be subject to certain restrictions on investments imposed by guidelines of the insurance companies issuing such Portfolio Insurance. Neither Fund expects these guidelines to prevent Eaton Vance from managing a Fund's portfolio in accordance with that Fund's investment objective and policies.

Risks Associated with TOBs. TOBs involve leverage risk and will involve greater risk than an investment in a fixed rate bond. Because changes in the interest rate paid to the Floating Rate Note holders inversely affects the interest

paid on the inverse floater, the value and income of an inverse floater are generally more volatile than that of a fixed rate bond. TOBs have varying degrees of liquidity, and the market for these securities is relatively volatile. These securities tend to underperform the market for fixed rate bonds in a rising long-term interest rate environment, but tend to outperform the market for fixed rate bonds when long-term interest rates decline. While TOBs expose a Fund to leverage risk, they do not constitute borrowings for purposes of the Fund's restrictions on borrowings.

Leverage Risk. Each Fund intends to use leverage to provide the holders of common shares with a potentially higher return. There can be no assurance that a leveraging strategy will be successful during any period in which it is employed. Leverage creates risks, including the likelihood of greater volatility of NAV and the return to common shareholders. The use of leverage through issuance of APS by a Fund creates an opportunity for increased net income, but, at the same time, creates special risks. Such leverage creates risk for holders of common shares, including the likelihood of greater volatility of NAV and market price of the APS Shares and the risk that fluctuations in dividend rates on APS shares may affect the return to common shareholders. APS dividends are based on the yields of short-term municipal obligations, while the proceeds of each Fund's offering are invested in longer-term municipal obligations, which typically have higher yields. To the extent the income derived from securities purchased with funds received from leverage exceeds the cost of leverage, a Fund's return will be greater than if leverage had not been used. Conversely, if the income from the securities purchased with such funds is not sufficient to cover the cost of leverage, the return to a Fund will be less than if leverage had not been used, and therefore the amount available for distribution to common shareholders as dividends and other distributions will be reduced. In the latter case, Eaton Vance in its best judgment may nevertheless determine to maintain the Fund's leveraged position if it deems such action to be appropriate. While a Fund has APS outstanding, an increase in short-term rates would also result in an increased cost of leverage, which would adversely affect the Fund's income available for distribution.

In addition, under current federal income tax law, each Fund is required to allocate a portion of any net realized capital gains or other taxable income to APS holders. The terms of each Fund's APS require the Fund to pay to any APS holders additional dividends intended to compensate the APS holders for taxes payable on any capital gains or other taxable income allocated to APS. Any such additional dividends will reduce the amount available for distribution to common shareholders. The fee paid to Eaton Vance is calculated on the basis of a Fund's gross assets, including proceeds from the issuance of APS and certain other indebtedness, so the fees will be higher when leverage is utilized. As noted above, investing in tender option bonds also creates leverage in the Funds.

Concentration Risk. Each Fund may invest 25% or more of its total assets in municipal obligations of issuers located in the same state (or U.S. territory) or in the same economic sector, such as revenue obligations of health care facilities or hospitals, airport revenue obligations or industrial development bonds. This may make the Fund more susceptible to adverse economic, political or regulatory occurrences affecting a particular state or economic sector.

Special Risks relating to APS. Since mid-February 2008 existing markets for APS have become generally illiquid and investors have not been able to sell their securities through the regular auction process. There currently is no established secondary market for APS and, in the event a secondary market develops, an APS holder may receive less than the price paid for APS. A rating agency could downgrade the rating assigned to APS, which could affect liquidity if the auction market is otherwise functioning. A Fund may be forced to redeem APS to meet regulatory or rating agency requirements or may voluntarily redeem APS in certain circumstances. In certain circumstances, a Fund may not earn sufficient income from its investments to pay dividends on APS. If long-term interest rates rise, the value of a Fund's investment portfolio generally will decline, reducing the asset coverage for APS. As a result of the current disruption in the APS auction market, brokerage firms may mark down the value of APS held in their clients' accounts to reflect a liquidity discount from the liquidation preference.

Auction Risk. Since February 13, 2008, and consistent with the patterns in the broader market for auction rate securities, APS auctions of the Funds have been unsuccessful due to an imbalance of sell orders over bids to buy the APS. As a result, the dividend rates on the APS have been and continue to be reset to the maximum applicable rates as required by each Fund's By-laws. When auctions for APS are functioning, the dividend rate for APS normally is set through an auction process. In the auction, holders of APS may indicate the dividend rate at which they would be willing to hold or sell their APS or purchase additional APS. The auction is also intended to provide liquidity for the sale of APS. Also, if an APS holder places hold orders

(orders to retain shares) at an auction only at a specified dividend rate and that rate exceeds the rate set at the auction, the holder will not retain your APS. Additionally, if an investor buys APS or elects to retain APS without specifying a dividend rate below which the investor would not wish to buy or continue to hold those APS, the investor could receive a lower rate of return on the APS than the market rate. Finally, the dividend period for APS may be changed by a Fund, subject to certain conditions with notice to the holders of APS, which could also affect the liquidity of your investment.

Secondary Market Risk. There is currently no established secondary market for APS and, if one should develop, it may only be possible to sell them for a price of less than \$25,000 per share plus any accumulated dividends. If a Fund has designated a Special Dividend Period (a dividend period of more than 7 days), changes in interest rates could affect the price of APS sold in the secondary market. Broker-dealers may maintain a secondary trading market in the APS; however, they have no obligation to do so and there can be no assurance that a secondary market for the APS will develop or, if it does develop, that it will provide holders with a liquid trading market (i.e., trading will depend on the presence of willing buyers and sellers and the trading price is subject to variables to be determined at the time of the trade by the broker-dealers). APS are not registered on any stock exchange or on any automated quotation system. An increase in the level of interest rates, particularly during dividend periods between one and five years (a Long Term Dividend Period), likely will have an adverse effect on the secondary market price of the APS, and a selling shareholder may sell APS between auctions at a price per share of less than \$25,000. Accrued APS dividends, however, should at least partially compensate for the increased market interest rate.

Ratings and Asset Coverage Risk. Each Fund's APS have been rated AAA by S&P. Such ratings do not eliminate or necessarily mitigate the risks of investing in APS. S&P could downgrade its rating of the APS or withdraw its rating at any time, which may negatively affect APS. If a Fund fails to satisfy its asset coverage ratios, it will be required to redeem a sufficient number of APS in order to return to compliance with the asset coverage ratios. A Fund is required to redeem APS under certain circumstances to the extent necessary to meet asset coverage tests.

Restrictions on Dividends and Other Distributions. Restrictions imposed on the declaration and payment of dividends or other distributions to the holders of each Fund's common shares and APS, both by the 1940 Act and by requirements imposed by a rating agency, might impair a Fund's ability to comply with minimum distribution requirements that it must satisfy to maintain its qualification as a regulated investment company for federal income tax purposes.

Fees and Expenses for Common Shareholders of the Funds

The tables below are intended to provide a comparison of the fees and expenses of the Funds and the Combined Fund. The purpose of the tables is to assist common shareholders in understanding the various costs and expenses that they are expected to bear directly or indirectly as common shareholders of the Combined Fund following the Reorganization. The tables set forth:

- (i) the fees, expenses and distributions to holders of APS paid by the Acquired Fund common shareholders for the fiscal year ended November 30, 2008;
- (ii) the fees, expenses and distributions to holders of APS paid by the Acquiring Fund common shareholders for the fiscal year ended November 30, 2008; and
- (iii) the *pro forma* fees, expenses and distributions to holders of APS that would have been paid by the Combined Fund common shareholders for the fiscal year ended November 30, 2008, assuming the Reorganization had been completed at the beginning of the period.

As the tables indicate, the *pro forma* total annual expenses of the Combined Fund would have been lower than each Fund's total annual expenses over the same period.

The following tables show each Fund's expenses as a percentage of net assets attributable to common shares and reflect the APS outstanding as of November 30, 2008 in an amount equal to 43.9% of the Acquired Fund's total

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assets, 35.0% of the Acquiring Fund's total assets, and 42.2% of the Combined Fund's total assets assuming the Reorganization occurred on November 30, 2008. The tables also reflect interest expense relating to the Floating Rate Notes held by third parties and issued in conjunction with each Fund's TOBs during the period. TOBs are described above under Comparison of the Funds: Investment Objectives and Policies. In connection with its TOBs, each Fund also records offsetting interest income in an amount equal to the stated interest expense and, as a result, NAV and performance are not affected by this expense.

	ACTUAL		PRO FORMA
	Acquired Fund	Acquiring Fund	Combined Fund
<i>Common Shareholder Transaction Expenses</i> (1)			
Sales Load (as a percentage of offering price)	None(2)	None(2)	None(2)
Dividend Reinvestment Plan Fees	None(3)	None(3)	None(3)

	ACTUAL			PRO FORMA
	Percentage of Net Assets			
	Attributable to Common Shares(1)			
(Unaudited)	Acquired Fund	Acquiring Fund	Combined Fund	
<i>Annual Expenses</i> (as a percentage of net assets attributable to common shares)				
Management Fee(4)	1.47%	1.44%	1.45%	
Other Expenses(5) (total including Interest Expense)(6)	1.06%	1.11%	1.04%	
Interest Expense	0.52%	0.72%	0.68%	
Other Expenses (excluding Interest Expense)	0.54%	0.39%	0.36%	
Total Annual Fund Operating Expenses	2.53%	2.55%	2.49%	
Dividends on APS(7)	0.57% (8)	0.80% (9)	0.75%(10)	
Total Annual Fund Operating Expenses and Dividends on APS	3.10%	3.35%	3.24%	
Total Annual Fund Operating Expenses (excluding Interest Expense and Dividends on APS)	2.01%	1.83%	1.81%	

- (1) No expense information is presented with respect to APS because holders of APS do not bear any transaction or operating expenses of either Fund.
- (2) Shares of Funds purchased on the secondary market are not subject to sales charges but may be subject to brokerage commissions or other charges. The table does not include an underwriting commission paid by shareholders in the initial offering of each Fund.
- (3) Each participant in a Fund's dividend reinvestment plan pays a proportionate share of the brokerage commissions incurred with respect to open market purchases in connection with such plan.
- (4) As a percentage of net assets attributable to common shares. The investment advisory fee is calculated at an annual rate of 0.70% of average weekly gross assets and the administration fee at an annual rate of 0.20% of average weekly gross assets; gross assets of each Fund are calculated by deducting accrued liabilities of the Fund except the principal amount of any indebtedness for money borrowed.

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including debt securities issued by the Fund and the amount of any outstanding APS.

- (5) Certain other transaction expenses relating to the Reorganization are not reflected in Other Expenses including, but not limited to: costs related to the preparation, printing and distributing of this Proxy Statement/Prospectus to shareholders; expenses incurred in connection with the preparation of the Plan and the registration statement on Form N-14; SEC filing fees; legal and audit fees; portfolio transfer taxes (if any); and any similar expenses incurred in connection with the Reorganization. Non-recurring legal fees are also excluded. In accordance with applicable SEC rules, the Board of each Fund reviewed the fees and expenses that will be borne directly or indirectly by the Funds in connection with the Reorganization. After considering various alternatives for allocating these costs, the Boards agreed that the Acquired Fund will bear its own costs of the Reorganization, including legal costs, costs associated with the solicitation of its shareholders and costs associated with the issuance of new APS, and the Acquiring Fund will bear its own costs of the Reorganization, including legal costs and costs associated with the solicitation of its common shareholders.
- (6) As described above the tables, interest expense relates to Floating Rate Notes held by third parties in conjunction with TOB transactions by the Fund. Each Fund also records offsetting interest income in an amount equal to this expense, and as a result net asset value and performance have not been affected by this expense.
- (7) As provided by each Fund's By-Laws, the dividend rate on APS when APS auctions do not clear is the maximum applicable rate prescribed by the By-Laws. As noted above, APS auctions have not functioned properly since mid-February 2008. The maximum applicable rate for each Fund's APS equals 110% of the greater of the (1) applicable AA financial composite

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commercial paper rate or (2) applicable taxable equivalent of the short term municipal obligation rate. If a dividend includes net capital gain or other taxable income, the maximum applicable rate is 150% of the (1) applicable AA financial composite commercial paper rate or (2) applicable taxable equivalent of short term municipal obligation rate. See Risk Factors and Special Considerations - Special Risks relating to APS - Auction Risk Above.

- (8) Reflects the dividend rate on APS in effect on November 30, 2008 of 1.597%.
- (9) Reflects a blended dividend rate on all APS series in effect on November 30, 2008 of 1.581%.
- (10) Reflects a dividend rate on APS in effect on November 30, 2008 of 1.583%. Such rate is an estimate and may differ based on varying market conditions that may exist when the Reorganization is consummated.

Example. The following example is intended to help you compare the costs of investing in the Combined Fund *pro forma* after the Reorganization with the costs of investing in the Acquired Fund and the Acquiring Fund without the Reorganization. An investor would pay the following expenses on a \$1,000 investment in common shares, assuming: (i) the operating expense ratio for each Fund (as a percentage of net assets attributable to common shares) set forth in the table above for years 1 through 10; (ii) dividends on APS as set forth in the table above; and (iii) a 5% annual return throughout the period. Figures have been adjusted to reflect the APS dividend rates at November 30, 2008 described in footnotes (8), (9) and (10) above.

(Unaudited)	1 Year	3 Years	5 Years	10 Years
Acquired Fund	\$313	\$957	\$1,625	\$3,411
Acquiring Fund	338	1,030	1,745	3,640
Pro Forma Combined Fund	327	998	1,693	3,540

The Example set forth above assumes the reinvestment of all dividends and distributions at NAV. The example should not be considered a representation of past or future expenses or annual rates of return. Actual expenses or annual rates of return may be more or less than those assumed for purposes of the example.

Capitalization

With respect to the proposal, the following table sets forth the capitalization of each Fund as of November 30, 2008, and the *pro forma* combined capitalization of the Combined Fund as if the proposed Reorganization had occurred on that date. The table should not be relied upon to determine the amount of Acquiring Fund shares that will actually be received and distributed.

If the Reorganization had taken place on November 30, 2008:

(Unaudited)	ACTUAL		PRO FORMA*
	Acquiring Fund	Acquired Fund	Combined Fund
Net assets consist of (amounts in thousands):			
Common shares (par value of \$0.01 per share)*	\$37,472,156	\$140,253,643	\$177,285,798
Number of common shares	4,257,408	17,292,177	21,898,535
Net asset value per share	\$8.80	\$8.11	\$8.10
APS (including Accrued Dividends)	\$20,152,642	\$109,868,987	\$130,021,629

* *Pro Forma* Combined Fund figures include combined estimated Reorganization expenses to the Acquiring Fund of \$260,000 and to the Acquired Fund of \$180,000.

Past Performance of Each Fund

As shown in the table below, while the performance of the Funds at NAV is similar, the performance of the Acquired Fund at NAV exceeded that of the Acquiring Fund for the one year, three year, and life-of-fund periods ended November 30, 2008. The performance of the Acquiring Fund at NAV exceeded that of the Acquired Fund for the five year period ended November 30, 2008. Each Fund's performance at market price may differ from its results at NAV, as demonstrated below. The Acquiring Fund has outperformed the Acquired Fund at market price for the one year, three year, five year and life-of-fund periods. Although market price performance generally reflects investment results, it may also be influenced by several factors, including changes in investor perceptions of each Fund or its investment adviser, market conditions, fluctuations in supply and demand for each Fund's shares and changes in each Fund's distributions.

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Total Returns at 11/30/2008	Acquired Fund		Acquiring Fund	
	NAV	Market Price	NAV	Market Price
1 year	-36.71%	-36.32%	-39.72%	-32.13%
3 years	-12.08	-14.25	-12.54	-12.31
5 years	-5.47	-8.02	-4.35	-5.44
Life of Fund*	0.48	-0.95	0.45	0.87

*Each Fund commenced operations on January 29, 1999.

Market Yields at 11/30/2008	Acquired Fund	Acquiring Fund
Market Yield(1)	9.11%	9.94%
Tax-Equivalent Market Yield(2)	14.02	15.29

¹ A Fund's market yield is calculated by dividing the last dividend paid per common share during the period by the share price at the end of the last business day of the period (November 28, 2008) and annualizing the result.

² Taxable-equivalent figure assumes a maximum 35.00% federal income tax rate. A lower tax rate would result in a lower tax-equivalent figure.

Information About Common Shares of the Funds

The outstanding common shares of each Fund are fully paid and nonassessable by the Fund (except as described under "Governing Law" below). The common shares of each Fund have no preemptive, conversion, exchange or redemption rights. Each common share has one vote, with fractional shares voting proportionately. Common shares are freely transferable. Set forth below is information about each Fund's common shares as of November 30, 2008.

Title of Class	Number of Shares
Acquired Fund common shares	4,257,407.961
Acquiring Fund common shares	17,292,177.000

Purchase and Sale. Purchase and sale procedures for the common shares of each of the Funds are identical, except that common shares of the Acquired Fund are traded on the NYSE Alternext US stock exchange while common shares of the Acquiring Fund are traded on the NYSE. Investors typically purchase and sell common shares of the Funds through a registered broker-dealer on the applicable stock exchange, thereby incurring a brokerage commission set by the broker-dealer. Alternatively, investors may purchase or sell common shares of the Funds through privately negotiated transactions with existing shareholders.

Common Share Price Data. The following table sets forth the high and low sales prices for common shares of each Fund on the applicable stock exchange for each quarterly period within the two most recent fiscal years, along with the NAV and discount or premium to NAV for each quotation.

Acquired Fund Quarterly Period Ending	High Price/ Date	Acquired Fund		Acquiring Fund	
		NAV	Premium (Discount)	NAV	Premium (Discount)
November 30, 2008	\$12.09 on 9/8/08	\$13.33	-9.30%	\$7.01 on 10/10/08	\$9.48 -26.05%
August 31, 2008	12.74 on 6/4/08	14.11	-9.71%	11.76 on 8/8/08	13.10 -10.23%

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May 31, 2008	12.64 on 5/29/08	13.96	-9.46%	11.63 on 3/30/08	13.19	-11.83%
February 29, 2008	13.30 on 1/16/08	14.94	-10.98%	11.81 on 2/29/08	12.57	-6.05%
November 30, 2007	13.90 on 9/12/07	15.13	-8.13%	12.49 on 11/19/07	14.75	-15.32%
August 31, 2007	14.41 on 6/6/07	15.41	-6.49%	13.01 on 8/24/07	14.27	-8.83%
May 31, 2007	14.50 on 5/7/07	15.64	-7.29%	14.22 on 5/25/07	15.49	-8.20%
February 28, 2007	14.45 on 12/6/06	15.81	-8.60%	14.11 on 1/26/07	15.58	-9.44%
November 30, 2006	14.18 on 11/30/06	15.80	-10.25%	13.85 on 9/13/06	15.45	-10.36%

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Acquiring Fund Quarterly Period Ending	High Price/ Date	NAV	Premium (Discount)	Low Price/ Date	NAV	Premium (Discount)
November 30, 2008	\$13.18 on 9/8/08	\$12.60	4.60%	\$7.20 on 10/10/08	\$9.18	-21.57%
August 31, 2008	14.17 on 6/3/08	13.63	3.96%	12.80 on 7/15/08	13.09	-2.22%
May 31, 2008	14.20 on 5/12/08	13.47	5.42%	12.97 on 3/17/08	12.84	1.01%
February 29, 2008	14.59 on 1/29/08	14.15	3.11%	13.14 on 2/29/08	12.48	5.29%
November 30, 2007	15.02 on 9/11/07	15.00	0.13%	13.01 on 11/16/07	14.39	-9.59%
August 31, 2007	15.83 on 6/5/07	15.43	2.59%	13.45 on 8/16/07	14.47	-7.05%
May 31, 2007	16.25 on 5/7/07	15.73	3.31%	15.75 on 5/31/07	15.51	1.55%
February 28, 2007	16.14 on 12/4/06	15.91	1.45%	15.80 on 1/29/07	15.72	0.51%
November 30, 2006	16.01 on 11/30/06	15.88	0.82%	15.55 on 9/7/06	15.48	0.45%

As of November 30, 2008, (i) the NAV for common shares of the Acquired Fund was \$8.80 and the market price per share was \$7.67, representing a discount to NAV of -12.84%; and (ii) the NAV per share for common shares of the Acquiring Fund was \$8.11 and the market price per share was \$8.45, representing a premium to NAV of 4.19% .

The NAV and market price per share of the common shares of each Fund may fluctuate prior to the closing date of the Reorganization. Depending on market conditions immediately prior to the closing date of the Reorganization, the Acquiring Fund common shares may trade at a larger or smaller discount to NAV than the Acquired Fund's common shares. This could result in the Acquiring Fund common shares having a market value that is greater or less than the market value of the Acquired Fund's common shares on the closing date of the Reorganization.

Methods to Address Potential Discount of Market Price to NAV. Because shares of closed-end management investment companies frequently trade at a discount to their NAVs, the Board of each Fund has determined that from time to time it may be in the interest of common shareholders for the Fund to take corrective actions to reduce trading discounts in the Fund's common shares. The Board, in consultation with Eaton Vance, reviews at least annually the possibility of open market repurchases and/or tender offers for the common shares and will consider such factors as the market price of the common shares, the NAV of the common shares, the liquidity of the assets of the Fund, the effect on the Fund's expenses, whether such transactions would impair the Fund's status as a regulated investment company or result in a failure to comply with applicable asset coverage requirements, general economic conditions and such other events or conditions that may have a material effect on the Fund's ability to consummate such transactions. There are no assurances that either Board will, in fact, decide to undertake either of these actions or if undertaken, that such actions will result in the relevant Fund's common shares trading at a price which is equal to or approximates their NAV. The Board, in consultation with Eaton Vance, from time to time may review possible actions to reduce trading discounts in the common shares.

Dividends and Distributions. Each Fund intends to pay monthly dividends on the common shares out of net income, subject to the Fund's obligations with respect to APS, rating agency guidelines and the 1940 Act asset coverage requirements as long as any APS are outstanding. Each Fund's net income is all of its income (other than net capital gains) reduced by its expenses. Each Fund's net capital gains equal the excess of its net long-term capital gains over its net short-term capital losses. Distributions derived from net capital gains, if any, will generally be made annually.

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As long as any APS are outstanding, no Fund will declare, pay or set apart for payment any dividend or other distribution in respect of the common stock or any other stock of a Fund ranking junior to the preferred shares as to dividends or upon liquidation, or call for redemption, redeem, purchase or otherwise acquire for consideration any common shares or any other shares of the Fund ranking junior to the preferred shares as to dividends or upon liquidation, unless: (i) immediately thereafter, the 1940 Act asset coverage requirements and any asset coverage requirements that may be imposed by the rating agency in connection with any rating of the preferred shares are met; (ii) full cumulative dividends (including additional dividends, if any) on all preferred shares for all past dividend periods have been paid or declared and a sum sufficient for the payment of such dividends set apart for payment; and (iii) the Fund has redeemed the full number of preferred shares required to be redeemed by any provision for mandatory redemption contained in its Agreement and Declaration of Trust.

In addition, as long as any APS are outstanding, no Fund is permitted to declare any dividend or distribution on its common shares unless, at the time of such declaration and after taking account of such dividend or distribution, the Fund is in compliance with the 1940 Act asset coverage requirements and with the rating agency guidelines. The Fund intends, to the extent necessary, to redeem or purchase APS from time to time to maintain compliance with the 1940 Act asset coverage requirements and the rating agency guidelines. To the extent this is not possible, any restriction on the payment of dividends or distributions might impair the ability of a Fund to maintain its qualification, for federal income tax purposes, as a regulated investment company that is exempt from taxation on income or gains distributed to its shareholders.

Dividend Reinvestment Plans. Each Fund offers a dividend reinvestment plan (the DR Plan) pursuant to which common shareholders may elect to have dividends and capital gains distributions automatically reinvested in additional common shares of the Fund. The Funds DR Plans are identical and are described in Appendix C.

Information About APS

The terms of the Acquiring Fund APS issued in the Reorganization (including dividend rates and payment dates) will be the same as that of the Acquired Fund APS held immediately prior to the Reorganization. Each Fund's APS are preferred shares of beneficial interest that entitle their holders to receive when, as and if declared by the Board of a Fund, out of funds legally available therefore, cumulative cash dividends at a rate per annum that may vary for the successive dividend periods for each series of preferred shares, and cumulative cash additional dividends, payable on specified dates. APS are not traded on a stock exchange or over-the-counter. Each preferred share carries one vote on matters on which preferred shares can be voted. APS are not convertible into common shares and have no preemptive, or cumulative voting rights. APS of each series will rank on parity with shares of any other series of APS and with shares of other series of APS of each Fund, as to the payment of dividends and the distribution of assets upon liquidation. Each of the outstanding series of APS has a liquidation preference of \$25,000 plus an amount equal to accumulated and unpaid dividends per share (whether or not earned by the Fund or declared, including additional dividends, if any) and are fully paid and nonassessable (except as described under Governing Law below).

Under the 1940 Act, each Fund is permitted to have outstanding more than one series of preferred shares as long as no single series has priority over another series as to the distribution of assets of the Fund or the payment of dividends. The Acquired Fund currently has one series of APS outstanding. If the Reorganization is approved and completed, the Combined Fund will have three series of APS. The existing series of the Acquiring Fund APS will remain Series A and Series B, and the Acquiring Fund will issue Acquiring Fund APS, Series C in exchange for the existing series of Acquired Fund APS. The aggregate liquidation preference of the new series will equal the aggregate liquidation preference of the existing shares that the new series replaces. For the new series, the number of shares and the liquidation preference per share will be the same as the existing series. The auction dates, rate period and dividend payment dates of the Acquiring Fund APS received in the Reorganization will be the same as that of the Acquired Fund APS held immediately prior to the Reorganization. The closing of the Reorganization is conditioned upon the Acquiring Fund APS issued in the Reorganization receiving a rating of AAA from S&P. Set forth below is information about each Fund's APS as of November 30, 2008.

Acquired Fund

Title of Class	Number of Shares
APS	806

Acquiring Fund

Title of Class	Number of Shares
APS, Series A	2,197
APS, Series B	2,197

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Purchase and Sale. When initially offered, it was contemplated that each Fund's APS would be purchased and sold at separate auctions conducted on a regular basis (unless a Fund elects, subject to certain conditions, to declare a special dividend period). However, since mid-February 2008 the functioning of the auction markets for certain types of auction rate securities (including APS) have been disrupted by an imbalance between buy and sell orders. As a result of this imbalance, auctions for APS have not cleared and APS generally have become illiquid. There is no current expectation that these circumstances will change following the Reorganization and it is possible that the APS markets will never resume normal functioning. Information about APS auctions is contained in Appendix B. While broker-dealers may maintain a secondary trading market in APS outside of auctions, historically they have not done so. The broker-dealers have no obligation to make a secondary market in APS outside of the auction and there can be no assurance that a secondary market for APS will develop or, if it does develop, that it will provide holders with liquidity of investment. Eaton Vance has been closely monitoring developments in the APS market and has engaged in a variety of efforts to restore liquidity to APS holders of the Funds and other closed-end funds sponsored by Eaton Vance. With respect to the Funds, a portion of their outstanding APS recently was redeemed with replacement financing consisting of TOBs.

Dividends and Dividend Periods. Each dividend period for the APS will generally consist of seven days (a 7-Day Dividend Period); provided, however, that prior to any auction, a Fund may elect a Special Dividend Period, as discussed below. The holders of a Fund's APS will be entitled to receive cumulative cash dividends on their APS, at the Applicable Rate determined as set forth below under Determination of Dividend Rate, payable on the applicable dates. Dividends on a Fund's APS are paid: (i) in preference to and in priority over any dividends declared and payable on that Fund's common shares; and (ii) to the extent permitted under the Internal Revenue Code of 1986, as amended (the Code) and available, out of the net tax-exempt income earned on that Fund's investments. Dividends on the APS, to the extent that they are derived from municipal obligations, generally will be exempt from federal income tax though some or all of those dividends may be a tax preference item (Preference Item) for purposes of the federal alternative minimum tax (the AMT), and relevant state taxes. See U.S. Federal Income Tax Matters below.

As provided by each Fund's By-laws, the dividend rate on APS when the APS auction market is not functioning is the maximum applicable rate prescribed by the By-laws. As noted above, APS auctions have not functioned properly since mid-February 2008. As such, on November 30, 2008, the dividend rate applicable to each Fund's APS equaled 110% of the greater of the (1) applicable AA financial composite commercial paper rate or (2) applicable taxable equivalent of short term municipal obligation rate. If a dividend includes net capital gain or other taxable income, the maximum applicable rate is 150% of the (1) applicable AA financial composite commercial paper rate or (2) applicable taxable equivalent of short term municipal obligation rate.

The following table provides information about the dividend rates for each series of each Fund's APS as of the indicated dividend reset date:

<u>Reset Date</u>	<u>Fund/Series</u>	<u>Rate</u>
December 11, 2008	Acquired Fund APS	1.142%
December 17, 2008	Acquiring Fund APS, Series A	1.508%
December 12, 2008	Acquiring Fund APS, Series B	1.142%

The dividend rates in effect at the closing of the Reorganization will be the rates determined pursuant to the Fund's By-laws, which are assumed to be the maximum applicable dividend rate as of the most recent dividend reset date.

Mandatory Redemption. Each Fund will be required to redeem at the mandatory redemption price per share, the APS to the extent permitted under the 1940 Act and Massachusetts law, on a date fixed by the Board, if the Fund fails to maintain S&P eligible assets with an aggregate discounted value equal to or greater than the APS basic maintenance amount or to satisfy the 1940 Act APS asset coverage and such failure is not cured on or before the APS basic maintenance cure date or the 1940 act cure date, as the case may be. Mandatory redemption price of APS means \$25,000 per share plus an amount equal to accumulated but unpaid dividends (whether or not earned or declared) to the date fixed for redemption. In addition, holders of APS may be entitled to receive additional dividends in the event of redemption of such APS. Any such redemption will be limited to the lesser number of APS necessary to restore the discounted value or the 1940 Act APS asset coverage, as the case may be, or the

maximum number that can be redeemed with funds legally available under the Declaration of Trust and applicable law.

Optional Redemption. To the extent permitted under the 1940 Act and under Massachusetts law, upon giving a notice of redemption, as provided below, each Fund, at its option, may redeem the APS, in whole or in part at the optional redemption price per share on any dividend payment date; provided that no APS may be redeemed at the option of the Fund during: (a) the initial dividend period with respect to the APS; or (b) a non-call period to which such share is subject. Optional redemption price means \$25,000 per share of APS plus an amount equal to accumulated but unpaid dividends (whether or not earned or declared) to the date fixed for redemption and excluding additional dividends plus any applicable redemption premium, if any, attributable to the designation of a premium call period. In addition, holders of APS may be entitled to receive additional dividends in the event of redemption of such APS to the extent provided herein. Each Fund may redeem the APS for any reason and may redeem all or part of the outstanding APS if it anticipates that the Fund's leveraged capital structure will result in a lower rate of return to holders of common shares for any significant period of time than that obtainable if the common shares were unleveraged. As noted above, each Fund recently redeemed a portion of its outstanding APS.

No APS are subject to optional redemption: (i) unless all dividends in arrears on all remaining outstanding APS, and all capital stock of a Fund ranking on a parity with the APS with respect to the payment of dividends or upon liquidation, have been or are being contemporaneously paid or declared and set aside for payment; and (ii) if redemption would result in a failure to maintain S&P eligible assets with an aggregate discounted value equal to or greater than the APS basic maintenance amount; provided, that the foregoing does not prevent the purchase or acquisition of all outstanding APS of such series pursuant to a successful completion of an otherwise lawful purchase or exchange offer made on the same terms to, and accepted by, holders of all outstanding APS of such series.

Liquidation Rights. Upon any liquidation, dissolution or winding up of a Fund, whether voluntary or involuntary, the holders of APS will be entitled to receive, out of the assets of the Fund available for distribution to shareholders, before any distribution or payment is made upon any common shares or any other shares of beneficial interest of the Fund ranking junior in right of payment upon liquidation of APS, \$25,000 per share together with the amount of any dividends accumulated but unpaid (whether or not earned or declared) thereon to the date of distribution, and after such payment the holders of APS will be entitled to no other payments except for any additional dividends (as described in Appendix B). If such assets of a Fund shall be insufficient to make the full liquidation payment on outstanding APS and liquidation payments on any other outstanding class or series of APS of the Fund ranking on a parity with the APS as to payment upon liquidation, then such assets will be distributed among the holders of APS and the holders of shares of such other class or series ratably in proportion to the respective preferential amounts to which they are entitled. After payment of the full amount of liquidation distribution to which they are entitled, the holders of APS will not be entitled to any further participation in any distribution of assets by a Fund except for any additional dividends. A consolidation, merger or share exchange of a Fund with or into any other entity or entities or a sale, whether for cash, shares of stock, securities or properties, of all or substantially all or any part of the assets of the Fund shall not be deemed or construed to be a liquidation, dissolution or winding up of the Fund.

Ratings. The Acquired Fund APS have been issued a rating of AAA from S&P. The Acquiring Fund APS, Series A and Series B have also each been issued a rating of AAA from S&P. Compliance with the S&P guidelines may impose restrictions on the securities in which a Fund may invest. Each Fund intends that, so long any APS are outstanding, the composition of such Fund's portfolio reflects in part the S&P guidelines established by S&P in connection with the Fund's receipt of ratings of AAA from S&P. Compliance with the S&P guidelines is required by each Fund's By-Laws.

The S&P guidelines require the Fund to meet, as of certain specified dates, certain asset coverage requirements that are imposed in connection with the rating of APS. If the Fund fails to meet such asset coverage requirements, the Fund may be required to redeem some or all of its outstanding APS or may be required to purchase or otherwise acquire sufficient assets to meet the asset coverage requirements of the S&P guidelines. In addition to the S&P guidelines, each Fund is required to comply with the 1940 Act requirement that the value of its total assets, less all liabilities not constituting senior securities of the Fund, must be at least equal to 200% of the aggregate liquidation preference of the APS outstanding plus the value of any senior securities representing indebtedness. If a Fund fails

to meet the 1940 Act asset coverage requirement as of certain specified evaluation dates and fails, within a specified period, to cure such failure, it may be required to redeem some or all of its outstanding APS.

S&P is a nationally recognized, independent statistical rating organization that issues ratings that reflect the perceived creditworthiness of various securities. Each Fund will pay certain fees to S&P for rating APS. The guidelines for rating APS have been developed by S&P in connection with other issuances of asset-backed and similar securities, including debt obligations and auction rate preferred stock, generally on a case-by-case basis through discussions with the respective issuers of these securities. The guidelines are designed to ensure that assets underlying outstanding debt or preferred stock will be sufficiently varied and will be of sufficient quality, duration and amount to justify investment grade ratings. The guidelines do not have the force of law on a Fund, but have been adopted by each Fund in its By-Laws in order to satisfy current requirements necessary for S&P to issue the above-described ratings for APS, which ratings are generally relied upon by institutional investors in purchasing such securities. In the context of a closed-end investment company such as a Fund, therefore, the guidelines provide a set of tests for portfolio composition and asset coverage that supplement (and in some cases are more restrictive than) the applicable requirements under the 1940 Act. S&P's guidelines will apply to the APS of a Fund only so long as S&P is rating the APS.

Each Fund may, but is not required to, adopt any modifications to the S&P guidelines that may hereafter be established by S&P. Failure to adopt any such modifications, however, may result in a change in the ratings assigned to the APS or a withdrawal of ratings altogether. In addition, S&P may, at any time, change or withdraw any such rating. The Board of each Fund may, without shareholder approval, amend, alter or repeal any or all of the definitions and related provisions which have been adopted by a Fund pursuant to the S&P guidelines in the event S&P is no longer rating the APS or the Fund receives written confirmation from S&P that any such amendment, alteration or repeal would not impair the rating then assigned to the APS.

A preferred stock rating is an assessment of the capacity and willingness of an issuer to pay preferred stock obligations. The rating on the preferred shares is not a recommendation to purchase, hold or sell those shares, inasmuch as the rating does not comment as to market price or suitability for a particular investor. The S&P guidelines described above also do not address the likelihood that an owner of APS will be able to sell such shares in an auction or otherwise. The rating is based on current information furnished to S&P by a Fund and/or the Adviser and information obtained from other sources. The rating may be changed, suspended or withdrawn as a result of changes in, or the unavailability of, such information. The common shares of each Fund have not been rated by S&P or any other rating agency. Each Fund may at some future time seek to have the APS rated by an additional or substitute rating agency.

Additional Information. For additional information on the Acquiring Fund APS, Acquired Fund shareholders should see Appendix B hereto and consult the Acquiring Fund's By-Laws attached as Appendix A to the Acquiring Fund's Statement of Additional Information. The Acquiring Fund APS issued in connection with the Reorganization will be governed by the By-Laws of the Acquiring Fund, which have been amended to reflect the creation of new series and the issuance of additional APS.

U.S. Federal Income Tax Matters

The federal income tax consequences of investing in the Funds are the same. A discussion of certain U.S. federal income tax consequences that may be relevant to a shareholder of acquiring, holding and disposing of common shares or APS of a Fund is included as Appendix D. This discussion only addresses U.S. federal income tax consequences to U.S. shareholders who hold their shares as capital assets and does not address all of the U.S. federal income tax consequences that may be relevant to particular shareholders in light of their individual circumstances. This discussion also does not address the tax consequences to shareholders who are subject to special rules, including, without limitation, financial institutions; insurance companies; dealers in securities or foreign currencies; foreign shareholders; shareholders who hold their shares as or in a hedge against currency risk, a constructive sale or a conversion transaction; shareholders who are subject to the AMT, or tax-exempt or tax-deferred plans accounts, or entities. In addition, the discussion does not address any state, local or foreign tax consequences and it does not address any U.S. federal tax consequences other than U.S. federal income tax consequences. The discussion reflects applicable tax laws of the United States as of the date of this Proxy Statement/Prospectus, which tax laws may be changed or subject to new interpretations by the courts or the IRS retroactively or prospectively. No attempt is

made to present a detailed explanation of all U.S. federal income tax concerns affecting each Fund and its shareholders, and the discussion set forth herein does not constitute tax advice. Investors are urged to consult their own tax advisers to determine the specific tax consequences to them of investing in a Fund, including the applicable federal, state, local and foreign tax consequences to them and the effect of possible changes in tax laws.

Governing Law

Each Fund is organized as a business trust under the laws of the Commonwealth of Massachusetts pursuant to an Agreement and Declaration of Trust dated December 10, 1998, as amended from time to time (each, a Declaration of Trust).

Under Massachusetts law, shareholders of each Fund could, in certain circumstances, be held personally liable for the obligations of a Fund. However, each Declaration of Trust disclaims shareholder liability for acts or obligations of the Fund. Notice of such disclaimer may be given in any agreement, obligation or instrument entered into or executed by a Fund or the Trustees on behalf of the Fund. Each Declaration of Trust provides for indemnification out of Fund property for all loss and expense of any shareholder held personally liable for the obligations of the Fund. Thus, the risk of a shareholder incurring financial loss on account of shareholder liability is limited to circumstances in which a Fund would be unable to meet its obligations.

Each Declaration of Trust further provides that obligations of the Fund are not binding upon the Trustees or officers individually but only upon the property of the Fund and that the Trustees or officers will not be liable for actions or failures to act. Nothing in either Declaration of Trust, however, protects a Trustee or officer against any liability to which such Trustee or officer may be subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such Trustee s or officer s office.

Each Fund is also subject to federal securities laws, including the 1940 Act and the rules and regulations promulgated by the SEC thereunder, and applicable state securities laws. Each Fund is a diversified, closed-end management investment company under the 1940 Act.

Certain Provisions of the Declarations of Trust

Anti-Takeover Provisions in the Declaration of Trust. Each Declaration of Trust includes provisions that could have the effect of limiting the ability of other entities or persons to acquire control of a Fund or to change the composition of its Board, and could have the effect of depriving holders of common shares of an opportunity to sell their shares at a premium over prevailing market prices by discouraging a third party from seeking to obtain control of the Fund. These provisions may have the effect of discouraging attempts to acquire control of a Fund, which attempts could have the effect of increasing the expenses of the Fund and interfering with the normal operation of the Fund.

Each Board is divided into three classes, with the term of one class expiring at each annual meeting. At each annual meeting, one class of Trustees is elected to a three-year term. This provision could delay for up to two years the replacement of a majority of the Board. A Trustee may be removed from office only for cause by a written instrument signed by the remaining Trustees or by a vote of the holders of at least two-thirds of the class of shares of each Fund that elected such Trustee and is entitled to vote on the matter.

In addition, each Declaration of Trust requires the favorable vote of the holders of at least 75% of the outstanding shares of each class of a Fund, voting as a class, then entitled to vote to approve, adopt or authorize certain transactions with 5%-or-greater holders (Principal Shareholders) of a class of shares and their associates, unless the Board has approved a memorandum of understanding with such holders, in which case normal voting requirements would be in effect. For these purposes, a Principal Shareholder refers to any person who, whether directly or indirectly and whether alone or together with its affiliates and associates, beneficially owns 5% or more of the outstanding shares of any class of beneficial interest of each Fund. The transactions subject to these special approval requirements are: (i) the merger or consolidation of a Fund or any subsidiary of a Fund with or into any Principal Shareholder; (ii) the issuance of any securities of a Fund to any Principal Shareholder for cash; (iii) the sale, lease or exchange of all or any substantial part of the assets of a Fund to any Principal Shareholder (except assets having an aggregate fair market value of less than \$1 million aggregating for the purpose of such computation

all assets sold, leased or exchanged in any series of similar transactions within a twelve-month period); or (iv) the sale, lease or exchange to a Fund or any subsidiary thereof, in exchange for securities of the Fund, of any assets of any Principal Shareholder (except assets having an aggregate fair market value of less than \$1 million aggregating for the purposes of such computation all assets sold, leased or exchanged in any series of similar transactions within a twelve-month period).

Each Fund's Board has determined that provisions with respect to the Board and the 75% voting requirements described above, which voting requirements are greater than the minimum requirements under Massachusetts law or the 1940 Act, are in the best interest shareholders generally. Reference should be made to the Declaration of Trust on file with the SEC for the full text of these provisions.

Conversion to Open-end Funds. Each Fund may be converted to an open-end investment company at any time if approved by the lesser of: (i) two-thirds or more of the Fund's then outstanding common shares and APS (if any), each voting separately as a class; or (ii) more than 50% of the then outstanding common shares and APS (if any), voting separately as a class if such conversion is recommended by at least 75% of the Trustees then in office. If approved in the foregoing manner, conversion of each Fund could not occur until 90 days after the shareholders meeting at which such conversion was approved and would also require at least 30 days' prior notice to all shareholders. The current composition of each Fund's portfolio likely would prohibit it from complying with regulations of the SEC applicable to open-end investment companies. Accordingly, conversion likely would require significant changes in each Fund's investment policies and liquidation of a substantial portion of its relatively illiquid portfolio. Conversion of each Fund to an open-end investment company also would require the redemption of any outstanding APS and could require the repayment of borrowings. Each Fund's Board believes, however, that the closed-end structure is desirable, given the Fund's investment objective and policies. Investors should assume, therefore, that it is unlikely that the Board would vote to convert either Fund to an open-end investment company.

Voting Rights. Except as otherwise indicated in this Proxy Statement/Prospectus or as otherwise required by applicable law, holders of APS of each Fund have equal voting rights with holders of common shares of each Fund (one vote per share) and will vote together with holders of common shares as a single class.

When holders of the APS are entitled to vote, each holder is entitled to cast one vote per APS. For purposes of any right of holders of APS to vote on any matter, whether such right is created by the Fund's Agreement and Declaration of Trust, the By-Laws, by statute or otherwise, no holder of APS will be entitled to vote and no APS will be deemed to be outstanding for the purpose of voting or determining the number of shares entitled to vote or of shares deemed outstanding for quorum purposes, as the case may be, unless sufficient funds for the redemption of such shares have been deposited with the APS paying agent and irrevocable instructions and authority to pay the redemption price to such holder of APS for that purpose and the requisite notice of redemption has been given.

The common shares and the APS of each Fund vote as separate classes on amendments to the Declaration of Trust or By-Laws that would adversely affect their respective interests.

In connection with the election of each Fund's Trustees, holders of the APS, voting as a separate class, are entitled at all times to elect two of the Fund's Trustees, and the remaining Trustees will be elected by holders of common shares and APS, voting together as a single class. In addition, if at any time dividends on outstanding APS shall be unpaid in an amount equal to at least two full years' dividends thereon or if at any time holders of APS are entitled to elect a majority of the Trustees of the Fund under the 1940 Act, then the number of Trustees constituting the Board automatically shall be increased by the smallest number that, when added to the two Trustees elected exclusively by the holders of APS, would constitute a majority of the Board as so increased by such smallest number, and at a special meeting of shareholders which will be called and held as soon as practicable, and at all subsequent meetings at which Trustees are to be elected, the holders of the APS, voting as a separate class, will be entitled to elect the smallest number of additional Trustees that, together with the two Trustees which such holders in any event will be entitled to elect, constitutes a majority of the total number of Trustees of the Fund as so increased. The terms of office of the persons who are Trustees at the time of that election will continue. If a Fund thereafter shall pay, or declare and set apart for payment in full, all dividends payable on all outstanding APS for all past Dividend Periods, the additional voting rights of the holders of APS shall cease, and the terms of office of all of the additional Trustees elected by the holders of APS (but not of the Trustees with respect to whose election the

holders of common shares were entitled to vote or the two Trustees the holders of APS have the right to elect in any event) will terminate automatically.

The affirmative vote of a majority of the votes entitled to be cast by holders of outstanding APS, voting as a separate class, will be required to: (i) authorize, create or issue any class or series of stock ranking prior to the APS with respect to the payment of dividends or the distribution of assets on liquidation; provided, however, that no vote is required to authorize the issuance of another class of APS that is substantially identical in all respects to the current APS; or (ii) amend, alter or repeal the provisions of the Declaration of Trust or the By-Laws, whether by merger, consolidation or otherwise, so as to adversely affect any of the contract rights expressly set forth in the Declaration of Trust or the By-Laws of holders of APS. To the extent permitted under the 1940 Act, in the event shares of more than one series of APS are outstanding, a Fund shall not approve any of the actions set forth in clause (i) or (ii) that adversely affects the contract rights expressly set forth in the Declaration of Trust of a holder of shares of a series of APS differently than those of a holder of shares of any other series of APS without the affirmative vote of at least a majority of votes entitled to be cast by holders of APS of each series adversely affected and outstanding at such time (each such adversely affected series voting separately as a class). Each Board, however, without shareholder approval, may amend, alter or repeal any or all of the rating agency guidelines described herein in the event a Fund receives confirmation from the rating agency that any such amendment, alteration or repeal would not impair the ratings then assigned to the APS. Unless a higher percentage is provided for under Certain Provisions of the Declarations of Trust, the affirmative vote of a majority of the votes entitled to be cast by holders of outstanding APS, voting as a separate class, will be required to approve any plan of reorganization (including bankruptcy proceedings) adversely affecting such shares or any action requiring a vote of security holders under Section 13(a) of the 1940 Act including, among other things, changes in a Fund's investment objective or changes in the investment restrictions described as fundamental policies under Investment Objectives and Policies. The class vote of holders of APS in each case will be in addition to a separate vote of the requisite percentage of common shares and APS, voting together as a single class, necessary to authorize the action in question.

The foregoing voting provisions will not apply to the APS if, at or prior to the time when the act with respect to which such vote otherwise would be required shall be effected, such shares shall have been: (i) redeemed; or (ii) called for redemption and sufficient funds shall have been deposited in trust to effect such redemption.

The common shares and APS of each Fund will also vote separately to the extent otherwise required under Massachusetts law or the 1940 Act as in effect from time to time.

The Trustees elected by holders of the common shares will (subject to the 1940 Act and other applicable law) be subject to removal for cause only by the vote of holders of 75% of the outstanding common shares, provided, however, that if such removal is recommended by two-thirds of the total number of Trustees then in office elected by the holders of the common shares, the vote of the holders of a majority of the common shares then outstanding shall be sufficient authorization. The Trustees elected by holders of APS will (subject to the provisions of the 1940 Act and other applicable law) be subject to removal, with or without cause, by the vote of the holders of a majority of the outstanding APS. Any vacancy on the Board occurring by reason of such removal or otherwise may be filled (subject to the provisions of the 1940 Act and other applicable law) by a vote of a majority of the remaining Trustees, or the remaining Trustee, previously elected by holders of the common shares or APS, respectively, or by a vote of holders of the common shares or APS, as the case may be.

The Trustees of each Fund have determined that the voting requirements described above, which are greater than the minimum requirements under the 1940 Act, are in the best interests of the Fund and its shareholders generally. Refer to the Declaration of Trust and By-Laws of each Fund, on file with the SEC, for the full text of these provisions. These provisions could have the effect of depriving shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging a third party from seeking to obtain control of a Fund through a tender offer or similar transaction.

Financial Highlights

The financial highlights of each Fund, which present certain financial information for one common share of the Fund outstanding throughout specified periods, are included as Appendix E.

Summary of Agreement and Plan of Reorganization

The following is a summary of certain additional terms of the Plan. This summary and any other description of the terms of the Plan contained in this Proxy Statement/Prospectus are qualified in their entirety by Appendix A, which is the form of Plan that is proposed for the Reorganization in its entirety. The Agreement provides for the Reorganization on the following terms:

- The Reorganization is scheduled to occur as soon as practicable after it is approved by shareholders of the Acquired Fund and the issuance of additional Acquiring Fund common shares has been approved by common shareholders of the Acquiring Fund, likely to be the most practicable Acquired Fund APS dividend payment date following the shareholders' meeting at which Proposal 1 and Proposal 2 are approved.
- The Acquired Fund will transfer all of its assets to the Acquiring Fund and the Acquiring Fund will assume the Acquired Fund's liabilities. This will result in the addition of the Acquired Fund's assets to the Acquiring Fund's portfolio. The NAV of each Fund will be computed as of 4:00 p.m., Eastern time, on the business day immediately preceding the closing date of the Reorganization.
- The Acquiring Fund will issue and cause to be listed on the NYSE additional Acquiring Fund common shares in an amount equal to the value of the Acquired Fund's net assets attributable to its common shares.
As part of the liquidation of the Acquired Fund, these shares will immediately be distributed to common shareholders of record of the Acquired Fund in proportion to their holdings held immediately prior to the Reorganization (though common shareholders may receive cash for fractional shares). As a result, common shareholders of the Acquired Fund will end up as common shareholders of the Acquiring Fund.
- The Acquiring Fund will issue Acquiring Fund APS, Series C, to the Acquired Fund. The aggregate liquidation preference of Acquiring Fund APS, Series C received in the Reorganization will equal the aggregate liquidation preference of Acquired Fund APS held immediately prior to the Reorganization. As part of the liquidation of the Acquired Fund, the Acquiring Fund APS, Series C will be distributed to holders of Acquired Fund APS in proportion to their holdings immediately prior to the Reorganization. As a result, holders of Acquired Fund APS will end up as holders of Acquiring Fund APS, Series C.
- After the shares are issued, the existence of the Acquired Fund will be terminated.

The distribution of the Acquiring Fund common shares and the Acquiring Fund APS will be accomplished by opening new accounts on the books of the Acquiring Fund in the names of the common and preferred shareholders of the Acquired Fund and transferring to those shareholder accounts the Acquiring Fund common shares and the Acquiring Fund APS previously credited on those books to the accounts of the Acquired Fund (though common shareholders may receive cash for their fractional shares). Each newly-opened account on the books of the Acquiring Fund for the former common shareholders of the Acquired Fund will represent the respective *pro rata* number of Acquiring Fund common shares due such shareholder (though common shareholders may receive cash for their fractional shares). No fractional Acquiring Fund common shares will be issued (except for shares held in a DR Plan account). In the event of fractional shares in an account other than a DR Plan account, the Acquiring Fund's transfer agent will aggregate all such fractional Acquiring Fund common shares and sell the resulting whole shares on the NYSE for the account of all holders of such fractional interests, and each such holder will be entitled to the *pro rata* share of the proceeds from such sale, upon surrender of the Acquired Fund common share certificates if applicable.

Surrender of Share Certificates. If your Acquired Fund shares are represented by one or more share certificates before the closing date of the Reorganization, you must either surrender the certificate to the Acquired Fund or deliver to the Acquired Fund a lost certificate affidavit, accompanied by any surety bond that the Acquired Fund may require (collectively, an Affidavit). On the closing date of the Reorganization, all certificates that have not been surrendered will be canceled, will no longer evidence ownership of the Acquired Fund's shares and will evidence ownership of the Acquiring Fund's common shares. Until such share certificates have been so surrendered, no dividends payable to the holders of record of Acquired Fund common shares as of any date

subsequent to the closing date will be reinvested pursuant to the Acquiring Fund's DR Plan, but will instead be paid in cash. Once such Acquired Fund share certificates have been surrendered, a holder of shares of the Acquired Fund who currently elects to receive dividends in cash will continue to receive dividends in cash; all holders who currently elect to participate in the DR Plan of the Acquired Fund will have their dividends automatically reinvested in shares of the Acquiring Fund. Shareholders may not redeem or transfer the Acquiring Fund shares received in the Reorganization until they have surrendered their Acquired Fund share certificates or delivered an Affidavit. The Acquiring Fund will not issue share certificates in the Reorganization.

Conditions to Closing the Reorganization. The obligation of the Acquired Fund to consummate the Reorganization is subject to the satisfaction of certain conditions, including the performance by the Acquiring Fund of all of its obligations under the Plan and the receipt of all consents, orders and permits necessary to consummate the Reorganization (see Plan, Section 9).

The obligation of the Acquiring Fund to consummate the Reorganization is subject to the satisfaction of certain conditions, including the Acquired Fund's performance of all of its obligations under the Plan, the receipt of certain documents and financial statements from the Acquired Fund and the receipt of all consents, orders and permits necessary to consummate the Reorganization (see Plan, Section 8).

The obligations of the Acquired Fund and the Acquiring Fund are subject to approval of the Plan by the necessary vote of the outstanding APS and common shares of the Acquired Fund and the approval of the issuance of additional Acquiring Fund common shares by the outstanding common shares of the Acquiring Fund, in accordance with the 1940 Act and the provisions of the each Fund's Declaration of Trust and By-Laws. The Funds' obligations are also subject to the receipt of a favorable opinion of K&L Gates LLP as to the federal income tax consequences of the Reorganization (see Plan, Sections 8(e),(f) and 9(e),(f)).

Termination of the Plan. The Board of the Acquired Fund and the Acquiring Fund may terminate the Plan by mutual consent (even if shareholders have already approved it) at any time before the closing date of the Reorganization, if the Boards believe that proceeding with the Reorganization would no longer be advisable.

Expenses of the Reorganization. Whether or not the Reorganization is completed, the Acquired Fund will bear its own costs of the Reorganization, including legal costs, costs associated with the solicitation of its shareholders and costs associated with the issuance of new APS, and the Acquiring Fund will bear its own costs of the Reorganization, including legal costs and costs associated with the solicitation of its common shareholders. Neither the Funds nor the Adviser will pay any expenses of shareholders arising out of or in connection with the Reorganization.

Payment of Undistributed Income in Advance of the Reorganization. Each Fund generally retains an amount of earned net income that is not distributed in regular dividend payments in order to provide a reserve to regularize dividend payments over time. The Acquired Fund intends to declare and pay a special cash distribution on common shares in advance of the Reorganization distributing such reserved income. This distribution will not be reinvested in additional common shares. The record date for such special dividend will be a date following the approval of the Reorganization. If the Reorganization is not approved, no such special dividend will be declared or paid for the Acquired Fund.

Tax Status of the Reorganization

The following is a general summary of the material anticipated U.S. federal income tax consequences of the Reorganization. The discussion is based upon the Code, Treasury regulations, court decisions, published positions of the IRS and other applicable authorities, all as in effect on the date hereof and all of which are subject to change or differing interpretations (possibly with retroactive effect). The discussion is limited to U.S. persons who hold shares of the Acquired Fund as capital assets for U.S. federal income tax purposes (generally, assets held for investment). This summary does not address all of the U.S. federal income tax consequences that may be relevant to a particular shareholder or to shareholders who may be subject to special treatment under U.S. federal income tax laws. No ruling has been or will be obtained from the IRS regarding any matter relating to the Reorganization. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of

the tax aspects described below. Prospective investors must consult their own tax advisers as to the U.S. federal income tax consequences of the Reorganization, as well as the effects of state, local and non-U.S. tax laws.

It is a condition to closing the Reorganization that the Acquired Fund and the Acquiring Fund receive an opinion from K&L Gates LLP, dated as of the closing date of the Reorganization, regarding the characterization of such Reorganization as a reorganization within the meaning of Section 368(a) of the Code. As such a reorganization, the U.S. federal income tax consequences of the Reorganization can be summarized as follows:

- No gain or loss will be recognized by the Acquired Fund or the Acquiring Fund upon the transfer to the Acquiring Fund of substantially all of the assets of the Acquired Fund in exchange for the Acquiring Fund common shares and the Acquiring Fund APS and the assumption by the Acquiring Fund of substantially all of the liabilities of the Acquired Fund and the subsequent liquidation of the Acquired Fund.
- No gain or loss will be recognized by a shareholder of the Acquired Fund who exchanges all of his, her or its Acquired Fund common shares for the Acquiring Fund common shares pursuant to the Reorganization (except with respect to cash received in lieu of a fractional share, as discussed below) or all of his, her or its Acquired Fund APS for Acquiring Fund APS pursuant to the Reorganization.
- The aggregate tax basis of the Acquiring Fund common shares or Acquiring Fund APS received by a shareholder of the Acquired Fund pursuant to the Reorganization will be the same as the aggregate tax basis of the shares of the Acquired Fund surrendered in exchange therefor (reduced by any amount of tax basis allocable to a fractional share for which cash is received).
- The holding period of the Acquiring Fund common shares or Acquiring Fund APS received by a shareholder of the Acquired Fund pursuant to the Reorganization will include the holding period of the shares of the Acquired Fund surrendered in exchange therefor.
- A shareholder of the Acquired Fund that receives cash in lieu of a fractional Acquiring Fund Common Share pursuant to the Reorganization will recognize capital gain or loss with respect to the fractional share in an amount equal to the difference between the amount of cash received for the fractional share and the portion of such shareholder's tax basis in its Acquired Fund common shares that is allocable to the fractional share. The capital gain or loss will be long-term if the holding period for such Acquired Fund common shares is more than one year as of the date of the exchange.
- The Acquiring Fund's tax basis in the Acquired Fund's assets received by the Acquiring Fund pursuant to the Reorganization will, in each instance, equal the tax basis of such assets in the hands of the Acquired Fund immediately prior to the Reorganization, and the Acquiring Fund's holding period of such assets will in each instance, include the period during which the assets were held by the Acquired Fund.
- The Acquiring Fund intends to continue to be taxed under the rules applicable to regulated investment companies as defined in Section 851 of the Code, which are the same rules currently applicable to the Acquired Fund and its shareholders.

The opinion described above will be based on U.S. federal income tax law in effect on the closing date of the Reorganization. In rendering its opinion, K&L Gates LLP will also rely upon certain representations of the management of the Acquiring Fund and the Acquired Fund and assume, among other things, that the Reorganization will be consummated in accordance with the Plan and as described herein. An opinion of counsel is not binding on the IRS or any court. While it is expected that the Reorganization will be accorded the tax treatment described above, unforeseen circumstances, including significant changes in the value of a Fund's assets, may result in the inability of the Funds to obtain such an opinion. In this event, the Board of Trustees of each Fund will determine the best course of action for such Fund, which may include proceeding on an opinion that the Reorganization should be accorded, or more likely than not will be accorded, the tax treatment described above.

As of November 30, 2008 (its last fiscal year end), the Acquired Fund had an unused capital loss carryforward of approximately \$4,790,600. Capital loss carryforwards are considered valuable tax attributes because they can

reduce a fund's future taxable income and thus reduce the taxable amount distributed to fund shareholders. Generally, when ownership of a loss corporation such as the Acquired Fund changes for tax purposes in connection with a reorganization (as will be the case here), the Code imposes various limitations on the use of loss carryforwards following the change in ownership. The amount of such loss carryforwards that can be used each year to offset post-acquisition income is generally limited to an amount equal to the federal long-term tax-exempt rate (the applicable rate as of December 2008 was 5.40%) multiplied by the value of the loss corporation's equity. Furthermore, capital losses may generally be carried forward for only eight years in the case of regulated investment companies. These limitations should not result in the forfeiture in the Acquiring Fund's ability to use the Acquired Fund's capital loss carryforward.

Management of the Funds and Fund Service Providers

Trustees and Officers. Each Fund's Board provides broad supervision over the affairs of each Fund. The officers of each Fund are responsible for the Fund's operations. The Trustees and officers of the Funds, together with their principal occupations during the past five years, are listed in the Statement of Additional Information. Each of the Trustees serves as a Trustee of other registered management investment companies in the Eaton Vance family of funds.

The Funds' Investment Adviser. Eaton Vance acts as each Fund's investment adviser under an Investment Advisory Agreement (Advisory Agreement). Eaton Vance's principal office is located at The Eaton Vance Building, 255 State Street, Boston, MA 02109. Eaton Vance, its affiliates and predecessor companies have been managing assets of individuals and institutions since 1924 and of investment companies since 1931.

Eaton Vance (or its affiliates) currently serves as the investment adviser to investment companies and various individual and institutional clients with combined assets under management of approximately \$123 billion as of October 31, 2008. Eaton Vance is a wholly-owned subsidiary of Eaton Vance Corp., a publicly held holding company, which through its subsidiaries and affiliates engages primarily in investment management, administration and marketing activities.

Under the general supervision of each Fund's Board of Trustees, the Adviser carries out the investment and reinvestment of the assets of each Fund, furnishes continuously an investment program with respect to each Fund, determines which securities should be purchased, sold or exchanged, and implements such determinations. The Adviser will furnish to each Fund investment advice and office facilities, equipment and personnel for servicing the investments of the Fund. The Adviser compensates all Trustees and officers of each Fund who are members of the Adviser's organization and who render investment services to each Fund, and will also compensate all other Adviser personnel who provide research and investment services to each Fund.

In return for these services, facilities and payments, each Fund has agreed to pay the Adviser an advisory fee computed at an annual rate of 0.70% of the Fund's average weekly gross assets, payable monthly, as compensation under the Advisory Agreement. Each Fund commenced operations on January 29, 1999.

Gross assets of each Fund are calculated by deducting accrued liabilities of the Fund except the principal amount of any indebtedness for money borrowed, including debt securities issued by the Fund (which includes Floating Rate Notes outstanding up to the value of the Fund's APS outstanding prior to the date the Fund began redeeming its APS) and the amount of any outstanding APS.

Unless earlier terminated pursuant to its terms, each Advisory Agreement will remain in effect for two years from their respective dates of execution and may each be continued from year to year thereafter if such continuation is specifically approved at least annually: (i) by the Board or by the vote of a majority, as defined in the 1940 Act, of the holders of the outstanding preferred shares and the common shares, voting together as a single class; and (ii) by the vote of a majority of the Trustees who are not parties to the Advisory Agreement or interested persons, as defined in the 1940 Act, of any such party, by votes cast in person at a meeting called for the purpose of voting on such approval. Each Advisory Agreement provides that it will terminate automatically if assigned and that it may be terminated without penalty by the Trustees, the vote of a majority of the outstanding voting securities of the applicable Fund, or by the Adviser, as the case may be, on sixty days' written notice.

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Portfolio Manager. Thomas M. Metzold, CFA, is the portfolio manager of both Funds. Mr. Metzold has been the portfolio manager of the Acquired Fund since November 17, 2008 and the Acquiring Fund since its inception, and is responsible for the day-to-day management of the Funds' investments. Mr. Metzold has been an Eaton Vance portfolio manager since 1991 and is a Vice President of Eaton Vance.

The Statement of Additional Information includes additional information about the portfolio manager, including information about his compensation, accounts he manages other than the Funds and his ownership of Fund shares, if any.

Each Fund and the Adviser have adopted Codes of Ethics relating to personal securities transactions. The Codes permit Adviser personnel to invest in securities (including securities that may be purchased or held by a Fund) for their own accounts, subject to certain pre-clearance, reporting and other restrictions and procedures contained in such Codes.

Administrator. Eaton Vance serves as administrator of each Fund and receives an administration fee computed at an annual rate of 0.20% of each Fund's average weekly gross assets, payable monthly. Under the Administration Agreement with each Fund, Eaton Vance is responsible for managing the business affairs of the Fund, subject to the supervision of the Fund's Board. Eaton Vance will furnish to each Fund all office facilities, equipment and personnel for administering the affairs of the Fund. Eaton Vance's administrative services include recordkeeping, preparation and filing of documents required to comply with federal and state securities laws, supervising the activities of each Fund's custodian and transfer agent, providing assistance in connection with the Trustees' and shareholders' meetings, providing service in connection with any repurchase offers and other administrative services necessary to conduct each Fund's business.

Shareholder Servicing Agent. Pursuant to a Shareholder Servicing Agreement between UBS Warburg LLC (the Shareholder Servicing Agent) and Eaton Vance, the Shareholder Servicing Agent will: (i) undertake to make public information pertaining to each Fund on an ongoing basis and to communicate to investors and prospective investors the Fund's features and benefits (including periodic seminars or conference calls, responses to questions from current or prospective shareholders and specific shareholder contact where appropriate); (ii) make available to investors and prospective investors market price, NAV, yield and other information regarding the Fund's common shares, if reasonably obtainable, for the purpose of maintaining the visibility of the Fund in the investor community; (iii) at the request of Eaton Vance, provide certain economic research and statistical information and reports, if reasonably obtainable, on behalf of the Fund, and consult with representatives and Trustees of the Fund in connection therewith, which information and reports shall include: (a) statistical and financial market information with respect to the Fund's market performance and (b) comparative information regarding the Fund and other closed-end management investment companies with respect to (1) the NAV of their respective shares, (2) the respective market performance of the Fund and such other companies and (3) other relevant performance indicators; and (iv) at the request of Eaton Vance, provide information to and consult with the Board with respect to applicable modifications to dividend policies or capital structure, repositioning or restructuring of the Fund, conversion of the Fund to an open-end investment company, liquidation or merger; provided, however, that under the terms of the Shareholder Servicing Agreement, the Shareholder Servicing Agent is not obligated to render any opinions, valuations or recommendations of any kind or to perform any such similar services. For these services, Eaton Vance will pay the Shareholder Servicing Agent a fee computed weekly and payable quarterly equal on an annual basis to 0.10% of the Fund's average weekly gross assets. Under the terms of the Shareholder Servicing Agreement, the Shareholder Servicing Agent is relieved from liability to Eaton Vance for any act or omission in the course of its performances under the Shareholder Servicing Agreement in the absence of gross negligence or willful misconduct by the Shareholder Servicing Agent. The Shareholder Servicing Agreement will continue so long as the Advisory Agreement remains in effect between the Fund and the Adviser or any successor in interest or affiliate of the Adviser, as and to the extent that such Advisory Agreement is renewed periodically in accordance with the 1940 Act.

Custodian and Transfer Agent. State Street Bank and Trust Company, as successor to Investors Bank & Trust Company (State Street), 200 Clarendon Street, Boston, Massachusetts 02116, is the custodian of each Fund and will maintain custody of the securities and cash of the Fund. State Street maintains each Fund's general ledger and computes the Fund's NAV at least weekly. State Street also attends to details in connection with the sale, exchange,

substitution, transfer and other dealings with each Fund's investments, and receives and disburses all funds. State Street also assists in preparation of shareholder reports and the electronic filing of such reports with the SEC.

American Stock Transfer & Trust Company, LLC, P.O. Box 922 Wall Street Station New York, N.Y. 10269-0560, is the transfer agent and dividend disbursing agent of each Fund.

Required Vote and

Other Information about the Meeting

Common shares and APS of the Acquired Fund and common shares of the Acquiring Fund are entitled to one vote per share on the applicable Proposal. Approval of Proposal 1 requires the vote of the holders of at least a majority of the Acquired Fund APS and the Acquired Fund common shares then outstanding, voting together as a single class, provided a quorum is present at the meeting. Approval of Proposal 2 requires the affirmative vote of a majority of the votes cast on the proposal, provided that a majority of Acquiring Fund common shareholders are present in person or by proxy at the meeting. The following table summarizes how the quorum and voting requirements are determined:

Shares	Quorum	Voting
In General	All shares present in person or by proxy are counted towards a quorum.	Shares present in person will be voted in person at the meeting. Shares present by proxy will be voted in accordance with instructions.
Proxy with no Voting Instruction (other than Broker Non-Vote)	Considered present at meeting.	Voted for a proposal.
Broker Non-Vote*	Considered present at meeting.	Not voted. Same effect as a vote against Proposal 1. No effect on Proposal 2.
Vote to Abstain	Considered present at meeting.	Not voted. Same effect as a vote against Proposal 1. No effect on Proposal 2.
Proportionately Voted APS with No Voting Instruction	Considered present at meeting.	Voted in proportion to APS for which the broker received instructions.

* Broker Non-Votes shall not include APS which the broker is permitted to proportionately vote in accordance with applicable law or rules of a national securities exchange.

If the required approval of shareholders is not obtained with respect to a Proposal, the Funds will continue to engage in business and the Boards of Trustees of the Funds will consider what further action may be appropriate.

Shareholders who object to the proposed Reorganization will not be entitled under Massachusetts law or the Declaration of Trust of a Fund to demand payment for, or an appraisal of, their shares. However, shareholders should be aware that the Reorganization as proposed is not expected to result in recognition of gain or loss to shareholders for federal income tax purposes and that shares of each Fund may be sold at any time prior to the consummation of the proposed Reorganization.

Certain Voting Information Regarding APS. Pursuant to NYSE Alternext US rules, Acquired Fund APS held in street name may be voted under certain conditions by broker-dealer firms and counted for purposes of establishing a quorum of that Fund if no instructions are received one business day before the meeting or, if adjourned, one business day before the day to which the meeting is adjourned. These conditions include, among others, that: (i) at least 30% of the Acquired Fund APS outstanding have voted on the proposal; and (ii) less than 10% of the Fund's APS outstanding have voted against such proposal. In such instance, the broker-dealer firm will vote such uninstructed APS on the proposal in the same proportion as the votes cast by all holders of APS who voted on such proposal. The Acquired Fund will include shares held of record by broker-dealers as to which such authority has

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been granted in its tabulation of the total number of shares present for purposes of determining whether the necessary quorum of shareholders of the Fund exists.

Expenses and Manner of Solicitation. In addition to the mailing of these proxy materials, proxies may be solicited by telephone, by fax or in person by the Trustees, officers and employees of the Funds; by personnel of the Funds' investment adviser, Eaton Vance, and its transfer agent, AST; or by broker-dealer firms. Persons holding shares as nominees will be reimbursed by the applicable Fund, upon request, for their reasonable expenses in sending soliciting material to the principals of the accounts. The Acquired Fund will bear its own costs of the Reorganization, including legal costs, costs associated with the solicitation of its shareholders and costs associated with the issuance of new APS, and the Acquiring Fund will bear its own costs of the Reorganization, including legal costs and costs associated with the solicitation of its common shareholders. These costs, borne by the common shareholders of the applicable Fund, are estimated to be approximately \$180,000 for the Acquired Fund and \$260,000 for the Acquiring Fund.

[_____], [_____], has been retained to assist in the solicitation of proxies at a cost of approximately \$[_____] plus reasonable expenses.

Revoking Proxies. Each Fund shareholder signing and returning a proxy has the power to revoke it at any time before it is exercised:

- By filing a written notice of revocation with the Secretary of the applicable Fund;
- By returning a duly executed proxy with a later date before the time of the meeting; or
- If a shareholder has executed a proxy but is present at the meeting and wishes to vote in person, by notifying the Secretary of the applicable Fund (without complying with any formalities) at any time before it is voted.

Being present at the meeting alone does *not* revoke a previously executed and returned proxy.

Outstanding Shares and Quorum. As of the Record Date, the number of shares of beneficial interest of each Fund outstanding was as follows:

FUND	SHARES OUTSTANDING
Acquired Fund	
Common shares	
APS	
Acquiring Fund	
Common shares	
APS Series A	
APS Series B	

Only common shareholders and APS holders of record of the Acquired Fund and common shareholders of record of the Acquiring Fund on the Record Date are entitled to notice of and to vote at the meeting. APS holders of the Acquiring Fund are not voting at the meeting. A majority of the outstanding shares of each Fund that are entitled to vote will be considered a quorum for the transaction of business.

Other Business. Each Fund's Board knows of no other business to be presented for consideration at the meeting. If other business is properly brought before the meeting, proxies will be voted according to the best judgment of the persons named as proxies.

Adjournments. If a quorum is not present in person or by proxy with respect to a Proposal at the time any session of the meeting is called to order, the persons named as proxies may vote those proxies that have been received to adjourn the meeting to a later date. If a quorum is present but there are not sufficient votes in favor of a Proposal, the persons named as proxies may propose one or more adjournments of the meeting to permit further solicitation of proxies concerning the Proposal. Any adjournment will require the affirmative vote of a majority of the shares at

the session of the meeting to be adjourned. If an adjournment of the meeting is proposed because there are not sufficient votes in favor of a Proposal, the persons named as proxies will vote those proxies favoring the Proposal in favor of adjournment, and proxies voted against a Proposal will be voted against adjournment.

Manner of Voting. In addition to soliciting proxies by mail, by fax or in person, the Funds may also arrange to have votes recorded by telephone by officers and employees of the Funds or by personnel of the Adviser, the transfer agent or a third party solicitation firm. The telephone voting procedure is designed to verify a shareholder's identity, to allow a shareholder to authorize the voting of shares in accordance with the shareholder's instructions and to confirm that the voting instructions have been properly recorded. If these procedures were subject to a successful legal challenge, these telephone votes would not be counted at the meeting. The Funds have not obtained an opinion of counsel about telephone voting, but is currently not aware of any challenge. These procedures include the following:

- A shareholder will be called on a recorded line at the telephone number in the Fund's account records and will be asked to provide the shareholder's social security number or other identifying information.
- The shareholder will then be given an opportunity to authorize proxies to vote his or her shares at the meeting in accordance with the shareholder's instructions.
- The shareholder will receive a confirmation of the voting instructions to ensure that the shareholder's instructions have been recorded correctly. A toll-free number will be available in case the voting information contained in the confirmation is incorrect.

If the shareholder decides after voting by telephone to attend the meeting, the shareholder can revoke the proxy at that time and vote the shares at the meeting.

Holders of common shares will also have the opportunity to submit their voting instructions via the Internet by utilizing a program provided through a vendor. Voting via the Internet will not affect your right to vote in person if you decide to attend the meeting. Do not mail the proxy card if you are voting via the Internet. To vote via the Internet, you will need the control number that appears on your proxy card. These Internet voting procedures are designed to authenticate shareholder identities, to allow shareholders to give their voting instructions, and to confirm that shareholders' instructions have been recorded properly. If you are voting via the Internet, you should understand that there may be costs associated with electronic access, such as usage charges from Internet access providers and telephone companies, which costs must be borne by you.

To vote via the Internet:

- Read the Proxy Statement/Prospectus and have your proxy card at hand.
- Go to the Web Site listed on the proxy card.
- Enter the control number found on your proxy card.
- Follow the instructions on the website. Please call us at 1-800-262-1122 Monday through Friday 8:00 a.m. to 7:00 p.m. Eastern time if you have any problems.
- To ensure that your instructions have been recorded correctly, you will receive a confirmation of your voting instructions immediately after your submission and also by e-mail, if chosen.

Shareholder Proposals. To be considered for presentation at the Acquiring Fund's 2010 Annual Meeting of Shareholders, a shareholder proposal submitted pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the 1934 Act) must be received by the Secretary of the Fund at its offices at 225 State Street, Boston, Massachusetts 02109, no later than the close of business on [October 1, 2009]. To be considered for presentation at the Acquired Fund's 2010 Annual Meeting of Shareholders, if any, a shareholder proposal submitted pursuant to Rule 14a-8 under the 1934 Act must be received by the Secretary of the Fund at its offices at 225 State Street, Boston, Massachusetts 02109, within a reasonable time before the Fund begins to print and send its proxy materials. For the Acquiring Fund, written notice of a shareholder proposal submitted outside the processes of Rule 14a-8 must be delivered to the Secretary of the Fund at its offices at 225 State Street, Boston, Massachusetts 02109, no later than the close of business on [December 27, 2009] and no earlier than [November 27, 2009]. For the Acquired

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Fund, written notice of a shareholder proposal submitted outside the processes of Rule 14a-8 must be delivered to the Secretary of the Fund at its offices at 225 State Street, Boston, Massachusetts 02109, not earlier than the close of business on the later of the 90th day prior to such annual meeting, if any, or the 10th day following the day on which public announcement of the date of such meeting is first made. In order to be included in a Fund's proxy statement and form of proxy, a shareholder proposal must comply with all applicable legal requirements. Timely submission of a proposal does not guarantee that such proposal will be included. If the Reorganization is approved by shareholders and consummated as described herein, the Acquired Fund will dissolve and will have no 2010 annual meeting.

Ownership of Shares

To the best of the Acquired Fund's knowledge, as of January 23, 2009, the following person(s) held the share percentage indicated below, which was owned either (i) beneficially by such person(s) or (ii) of record by such person(s) on behalf of customers who are the beneficial owners of such shares and as to which such record owner(s) may exercise voting rights under certain limited circumstances:

Florida Plus Fund		
Owners	Common shares	APS

Assuming the consummation of the Reorganization on such date, such persons would own the following percentages in the Combined Fund:

Combined Fund		
Owners	Common shares	APS

To the best of the Acquiring Fund's knowledge, as of January 23, 2009, the following person(s) held the share percentage indicated below, which was owned either (i) beneficially by such person(s) or (ii) of record by such person(s) on behalf of customers who are the beneficial owners of such shares and as to which such record owner(s) may exercise voting rights under certain limited circumstances:

National Fund			
Owners	Common Shares	APS Series A	APS Series B

Assuming the consummation of the Reorganization on such date, such persons would own the following percentages in the Combined Fund:

Combined Fund			
Owners	Common shares	APS Series A	APS Series B

The Funds do not have knowledge of any record or beneficial owners of 5% or more of the common shares or APS of the Funds as of January 23, 2009 other than those described above. The Acquired Fund received notice that Karpus Management, Inc., d/b/a Karpus Investment Management, 183 Sully's Trail, Pittsford, New York 14534 beneficially owned 14.20% of the Acquired Fund common shares as of November 20, 2008. However, the Acquired Fund is unable to verify such ownership as of January 23, 2009.

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[As of January 23, 2009, the Trustees and officers of the Acquiring Fund owned in the aggregate less than 1% of the outstanding Acquiring Fund common shares and owned no Acquiring Fund APS.]

[As of January 23, 2009, the Trustees and officers of the Acquired Fund owned no Acquired Fund common shares or APS.]

Experts

The financial highlights and financial statements of both Funds for the 12 months ended November 30, 2008 are incorporated by reference into this Proxy Statement/Prospectus. The financial statements incorporated in this Proxy Statement/Prospectus and in the Statement of Additional Information relating to this Proxy Statement/Prospectus by reference from each Fund's annual report for the year ended November 30, 2008 on Form N-CSR have been audited by _____, an independent registered public accounting firm, as stated in their reports, which are incorporated herein and in the Statement of Additional Information relating to this Proxy Statement/Prospectus by reference, and have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

Available Information

Each Fund is subject to the informational requirements of the 1934 Act and the 1940 Act and files reports, proxy statements and other information with the SEC. These reports, proxy statements and other information filed by the Funds can be inspected and copied (for a duplication fee) at the public reference facilities of the SEC at 450 Fifth Street, N.W., Washington, D.C., and at the Midwest Regional Office (500 West Madison Street, Suite 1400, Chicago, Illinois). Copies of these materials can also be obtained by mail from the Public Reference Section of the SEC at 450 Fifth Street, N.W. Washington, D.C. 20549, at prescribed rates. In addition, copies of these documents may be viewed on-screen or downloaded from the SEC's Internet site at <http://www.sec.gov>.

APPENDIX A

FORM OF AGREEMENT AND PLAN OF REORGANIZATION

In order to consummate the Reorganization (as defined in Section 1(b) below) and in consideration of the promises and the covenants and agreements hereinafter set forth, and intending to be legally bound, Eaton Vance National Municipal Income Trust (FEV), a Massachusetts business trust and a registered closed-end investment company, File No. 811-09143 (the Acquired Fund) and Eaton Vance Municipal Income Trust (EVN) (the Acquiring Fund and together with the Acquired Fund, the Funds), a Massachusetts business trust and a registered closed-end investment company, File No. 811-09141, each hereby agree as follows:

1. Representations and Warranties of the Acquiring Fund.

The Acquiring Fund represents and warrants to, and agrees with, the Acquired Fund that:

- (a) The Acquiring Fund is a Massachusetts business trust, with transferable shares, duly organized, validly existing under, and in good standing in conformity with, the laws of The Commonwealth of Massachusetts, and has the power to own all of its assets and to carry out its obligations under this Agreement. The Acquiring Fund has all necessary federal, state and local authorizations to carry on its business as it is now being conducted and to carry out this Agreement.
- (b) The Acquiring Fund is duly registered under the Investment Company Act of 1940, as amended (the 1940 Act) as a diversified, closed-end management investment company and such registration has not been revoked or rescinded and is in full force and effect. The Acquiring Fund has elected and qualified for the special tax treatment afforded regulated investment companies (RICs) under Section 851 of the Internal Revenue Code of 1986, as amended (the Code) at all times since its inception and intends to continue to so qualify until consummation of the reorganization contemplated hereby (the Reorganization) and thereafter.
- (c) The Acquiring Fund has furnished the Acquired Fund with the Acquiring Fund s Annual Report to Shareholders for the fiscal year ended November 30, 2008, and the audited financial statements appearing therein, having been audited by _____, an independent registered public accounting firm, fairly present the financial position of the Acquiring Fund as of the respective dates indicated, in conformity with accounting principles generally accepted in the United States applied on a consistent basis.
- (d) An unaudited statement of assets, liabilities and capital of the Acquiring Fund and an unaudited schedule of investments of the Acquiring Fund, each as of the Valuation Time (as defined in Section 3(e) of this Agreement), will be furnished to the Acquired Fund, at or prior to the Closing Date (as defined in Section 7(a) herein), for the purpose of determining the number of Acquiring Fund Common Shares and Acquiring Fund APS Shares (each as defined in Section 1(e) herein) to be issued pursuant to Section 3(a) of this Agreement; each will fairly present the financial position of the Acquiring Fund as of the Valuation Time in conformity with generally accepted accounting principles applied on a consistent basis.
- (e) The Acquiring Fund has full power and authority to enter into and perform its obligations under this Agreement. The execution, delivery and performance of this Agreement has been duly authorized by all necessary action of its Board of Trustees, and this Agreement constitutes a valid and binding contract enforceable in accordance with its terms, subject to the effects of bankruptcy, insolvency, moratorium, fraudulent conveyance and similar laws relating to or affecting creditors rights generally and court decisions with respect thereto.
- (f) There are no material legal, administrative or other proceedings pending or, to the knowledge of the Acquiring Fund, threatened against it which assert liability on the part of the Acquiring Fund or which materially affect its financial condition or its ability to consummate the Reorganization. The Acquiring Fund is not charged with or, to the best of its knowledge, threatened with any violation or investigation of

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any possible violation of any provisions of any federal, state or local law or regulation or administrative ruling relating to any aspect of its business material to the Reorganization.

- (g) The Acquiring Fund is not obligated under any provision of its Declaration of Trust dated December 10, 1998, as amended, or its by-laws, as amended, and is not a party to any contract or other commitment or obligation, and is not subject to any order or decree, which would be violated by its execution of or performance under this Agreement, except insofar as the Funds have mutually agreed to amend such contract or other commitment or obligation to cure any potential violation as a condition precedent to the Reorganization.
- (h) There are no material contracts outstanding to which the Acquiring Fund is a party that have not been disclosed in the N-14 Registration Statement (as defined in subsection (k) below) or that will not otherwise be disclosed to the Acquired Fund prior to the Valuation Time.
- (i) The Acquiring Fund has no known liabilities of a material amount, contingent or otherwise, other than those shown on its statements of assets, liabilities and capital referred to in subsection (c) above, those incurred in the ordinary course of its business as an investment company, and those incurred in connection with the Reorganization. As of the Valuation Time, the Acquiring Fund will advise the Acquired Fund in writing of all known liabilities, contingent or otherwise, whether or not incurred in the ordinary course of business, existing or accrued as of such time, except to the extent disclosed in the financial statements referred to in subsection (c) above.
- (j) No consent, approval, authorization or order of any court or government authority or self-regulatory organization is required for the consummation by the Acquiring Fund of the Reorganization, except such as may be required under the rules of the New York Stock Exchange (NYSE), Securities Act of 1933, as amended (the 1933 Act), the Securities Exchange Act of 1934, as amended (the 1934 Act) and the 1940 Act or state securities laws (which term as used herein shall include the laws of the District of Columbia and Puerto Rico).
- (k) The registration statement filed by the Acquiring Fund on Form N-14, which includes the proxy statement of the Acquired Fund and the Acquiring Fund with respect to the transactions contemplated herein (the Joint Proxy Statement/Prospectus), and any supplement or amendment thereto or to the documents therein (as amended or supplemented, the N-14 Registration Statement), on its effective date, at the time of the shareholders meetings referred to in Section 8(a) and Section 9(a) of this Agreement and at the Closing Date, insofar as it relates to the Acquiring Fund, (i) complied or will comply in all material respects with the provisions of the 1933 Act, the 1934 Act and the 1940 Act and the rules and regulations thereunder, and (ii) did not or will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading; and the Joint Proxy Statement/Prospectus included therein did not or will not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that the representations and warranties in this subsection only shall apply to statements in or omissions from the N-14 Registration Statement made in reliance upon and in conformity with information furnished by the Acquiring Fund for use in the N-14 Registration Statement.
- (l) The Acquiring Fund is authorized to issue an unlimited number of common shares of beneficial interest, no par value (the Acquiring Fund Common Shares), and an unlimited number of preferred shares of beneficial interest, no par value. The Board of Trustees of the Acquiring Fund has designated 806 preferred shares as Auction Rate Preferred Shares, Series C (Acquiring Fund APS). Each outstanding Acquiring Fund Common Share and each Acquiring Fund APS share is fully paid and nonassessable, and has full voting rights and no shareholder of the Acquiring Fund shall be entitled to any preemptive or other similar rights. In regard to the statement that the Acquiring Fund Common Shares and Acquiring Fund APS are non-assessable, it is noted that the Acquiring Fund is an entity of the type commonly known as a Massachusetts business trust. Under Massachusetts law, shareholders could, under certain circumstances, be held personally liable for the obligations of the Acquiring Fund.

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- (m) The Acquiring Fund Common Shares and the Acquiring Fund APS to be issued to the Acquired Fund pursuant to this Agreement will have been duly authorized and, when issued and delivered pursuant to this Agreement, will be legally and validly issued and will be fully paid and, nonassessable and will have full voting rights, and no shareholder of the Acquiring Fund will have any preemptive right of subscription or purchase in respect thereof.
- (n) At or prior to the Closing Date, the Acquiring Fund Common Shares to be transferred to the Acquired Fund for distribution to the shareholders of the Acquired Fund on the Closing Date will be duly qualified for offering to the public in all states of the United States in which the sale of shares of the Funds presently are qualified, and there will be a sufficient number of such shares registered under the 1933 Act and, as may be necessary, with each pertinent state securities commission to permit the transfers contemplated by this Agreement to be consummated.
- (o) At or prior to the Closing Date, the Acquiring Fund APS to be transferred to the Acquired Fund on the Closing Date will be duly qualified for offering to the public in all states of the United States in which the sale of APS of the Acquired Fund presently are qualified, and there are a sufficient number of Acquiring Fund APS registered under the 1933 Act and with each pertinent state securities commission to permit the transfers contemplated by this Agreement to be consummated.
- (p) At or prior to the Closing Date, the Acquiring Fund will have obtained any and all regulatory, trustee and shareholder approvals necessary to issue the Acquiring Fund Common Shares and the Acquiring Fund APS to the Acquired Fund.
- (q) The Acquiring Fund has filed, or intends to file, or has obtained extensions to file, all federal, state and local tax returns which are required to be filed by it, and has paid or has obtained extensions to pay, all federal, state and local taxes shown on said returns to be due and owing and all assessments received by it, up to and including the taxable year in which the Closing Date occurs. All tax liabilities of the Acquiring Fund have been adequately provided for on its books, and no tax deficiency or liability of the Acquiring Fund has been asserted and no question with respect thereto has been raised by the Internal Revenue Service or by any state or local tax authority for taxes in excess of those already paid, up to and including the taxable year in which the Closing Date occurs.
- (r) The Acquiring Fund has elected to qualify and has qualified as a RIC as of and since its inception; has been a RIC under the Code at all times since the end of its first taxable year when it so qualified; qualifies and will continue to qualify as a RIC under the Code; and has satisfied the distribution requirements imposed by the Code for each of its taxable years. The Acquiring Fund has not at any time since its inception been liable for, and is not now liable for, and will not be liable for on the Closing Date, any material income or excise tax pursuant to Section 852 or Section 4982 of the Code.

2. Representations and Warranties of the Acquired Fund.

The Acquired Fund represents and warrants to, and agrees with, the Acquiring Fund that:

- (a) The Acquired Fund is a Massachusetts business trust, with transferable shares, duly organized, validly existing in conformity with the laws of The Commonwealth of Massachusetts, and has the power to own all of its assets and to carry out this Agreement. The Acquired Fund has all necessary federal, state and local authorizations to carry on its business as it is now being conducted and to carry out this Agreement.
- (b) The Acquired Fund is duly registered under the 1940 Act as a diversified, closed-end management investment company, and such registration has not been revoked or rescinded and is in full force and effect.

The Acquired Fund has elected and qualified for the special tax treatment afforded RICs under Section 851 of the Code at all times since its inception, and intends to continue to so qualify through its taxable year ending upon liquidation.

- (c) As used in this Agreement, the term "Acquired Fund Investments" shall mean: (i) the investments of the Acquired Fund shown on the schedule of its investments as of the Valuation Time furnished to the

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Acquiring Fund; and (ii) all other assets owned by the Acquired Fund or liabilities incurred as of the Valuation Time.

- (d) The Acquired Fund has full power and authority to enter into and perform its obligations under this Agreement. The execution, delivery and performance of this Agreement has been duly authorized by all necessary action of its Board of Trustees and this Agreement constitutes a valid and binding contract enforceable in accordance with its terms, subject to the effects of bankruptcy, insolvency, moratorium, fraudulent conveyance and similar laws relating to or affecting creditors' rights generally and court decisions with respect thereto.
- (e) The Acquired Fund has furnished the Acquiring Fund with the Acquired Fund's Annual Report to Shareholders for the fiscal year ended November 30, 2008 and the audited financial statements appearing therein, having been audited by _____, an independent registered public accounting firm, fairly present the financial position of the Acquired Fund as of the respective dates indicated, in conformity with accounting principles generally accepted in the United States applied on a consistent basis.
- (f) An unaudited statement of assets, liabilities and capital of the Acquired Fund and an unaudited schedule of investments of the Acquired Fund, each as of the Valuation Time, will be furnished to the Acquiring Fund at or prior to the Closing Date for the purpose of determining the number of shares of Acquiring Fund Common Shares and Acquiring Fund APS to be issued to the Acquired Fund pursuant to Section 3 of this Agreement; each will fairly present the financial position of the Acquired Fund as of the Valuation Time in conformity with generally accepted accounting principles applied on a consistent basis.
- (g) There are no material legal, administrative or other proceedings pending or, to the knowledge of the Acquired Fund, threatened against it which assert liability on the part of the Acquired Fund or which materially affect its financial condition or its ability to consummate the Reorganization. The Acquired Fund is not charged with or, to the best of its knowledge, threatened with any violation or investigation of any possible violation of any provisions of any federal, state or local law or regulation or administrative ruling relating to any aspect of its business material to the Reorganization.
- (h) There are no material contracts outstanding to which the Acquired Fund is a party that have not been disclosed in the N-14 Registration Statement or will not otherwise be disclosed to the Acquiring Fund prior to the Valuation Time.
- (i) The Acquired Fund is not obligated under any provision of its Declaration of Trust dated December 10, 1998, as amended, or its by-laws, as amended, or a party to any contract or other commitment or obligation, and is not subject to any order or decree which would be violated by its execution of or performance under this Agreement, except insofar as the Funds have mutually agreed to amend such contract or other commitment or obligation to cure any potential violation as a condition precedent to the Reorganization.
- (j) The Acquired Fund has no known liabilities of a material amount, contingent or otherwise, other than those shown on its statements of assets, liabilities and capital referred to above, those incurred in the ordinary course of its business as an investment company and those incurred in connection with the Reorganization. As of the Valuation Time, the Acquired Fund will advise the Acquiring Fund in writing of all known liabilities, contingent or otherwise, whether or not incurred in the ordinary course of business, existing or accrued as of such time.
- (k) The Acquired Fund has filed, or intends to file, or has obtained extensions to file, all federal, state and local tax returns which are required to be filed by it, and has paid or has obtained extensions to pay, all federal, state and local taxes shown on said returns to be due and owing and all assessments received by it, up to and including the taxable year in which the Closing Date occurs. All tax liabilities of the Acquired Fund have been adequately provided for on its books, and no tax deficiency or liability of the Acquired Fund has been asserted and no question with respect thereto has been raised by the Internal Revenue Service or by any state or local tax authority for taxes in excess of those already paid, up to and including the taxable year in which the Closing Date occurs.

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- (l) At both the Valuation Time and the Closing Date, the Acquired Fund will have full right, power and authority to sell, assign, transfer and deliver the Acquired Fund Investments. At the Closing Date, subject only to the obligation to deliver the Acquired Fund Investments as contemplated by this Agreement, the Acquired Fund will have good and marketable title to all of the Acquired Fund Investments, and the Acquiring Fund will acquire all of the Acquired Fund Investments free and clear of any encumbrances, liens or security interests and without any restrictions upon the transfer thereof (except those imposed by the federal or state securities laws and those imperfections of title or encumbrances as do not materially detract from the value or use of the Acquired Fund Investments or materially affect title thereto).
- (m) No consent, approval, authorization or order of any court or governmental authority or self-regulatory organization is required for the consummation by the Acquired Fund of the Reorganization, except such as may be required under the 1933 Act, the 1934 Act, the 1940 Act, state securities laws or the rules of the NYSE Alternext US exchange.
- (n) The N-14 Registration Statement, on its effective date, at the time of the shareholders' meetings called to vote on this Agreement and on the Closing Date, insofar as it relates to the Acquired Fund (i) complied or will comply in all material respects with the provisions of the 1933 Act, the 1934 Act and the 1940 Act and the rules and regulations thereunder, and (ii) did not or will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading; and the Joint Proxy Statement/Prospectus included therein did not or will not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that the representations and warranties in this subsection shall apply only to statements in or omissions from the N-14 Registration Statement made in reliance upon and in conformity with information furnished by the Acquired Fund for use in the N-14 Registration Statement.
- (o) The Acquired Fund is authorized to issue an unlimited number of common shares of beneficial interest, no par value (the Acquired Fund Common Shares), and an unlimited number of preferred shares of beneficial interest, no par value (Acquired Fund APS Shares). Each outstanding Acquired Fund Common Share and each of the outstanding Acquired Fund APS Share is fully paid and nonassessable, and has full voting rights and no person is entitled to any preemptive or other similar rights with respect to Acquired Fund Common Shares and Acquired Fund APS Shares. In regard to the statement that Acquired Fund Common Shares and Acquired Fund APS Shares are non-assessable, it is noted that the Acquired Fund is an entity of the type commonly known as a Massachusetts business trust. Under Massachusetts law, shareholders could, under certain circumstances, be held personally liable for the obligations of the Acquired Fund.
- (p) All of the issued and outstanding Acquired Fund Common Shares and Acquired Fund APS Shares were offered for sale and sold in conformity with all applicable federal and state securities laws.
- (q) The books and records of the Acquired Fund made available to the Acquiring Fund and/or its counsel are substantially true and correct and contain no material misstatements or omissions with respect to the operations of the Acquired Fund.
- (r) The Acquired Fund will not sell or otherwise dispose of any of the Acquiring Fund Common Shares or Acquiring Fund APS to be received in the Reorganization, except in distribution to the shareholders of the Acquired Fund, as provided in Section 3 of this Agreement.
- (s) The Acquired Fund has elected to qualify and has qualified as a RIC under the Code as of and since its inception; has been a RIC under the Code at all times since the end of its first taxable year when it so qualified; qualifies and will continue to qualify as a RIC under the Code for its taxable year ending upon its liquidation; and has satisfied the distribution requirements imposed by the Code for each of its taxable years. The Acquired Fund has not at any time since its inception been liable for, is not now liable for, and will not be liable for on the Closing Date, any material income or excise tax under Section 852 or Section 4982 of the Code.

3. The Reorganization.

- (a) Subject to receiving the requisite approvals of the shareholders of the Acquired Fund, and to the other terms and conditions contained herein, the Acquired Fund agrees to convey, transfer and deliver to the Acquiring Fund and the Acquiring Fund agrees to acquire from the Acquired Fund, on the Closing Date, all of the Acquired Fund Investments (including interest accrued as of the Valuation Time on debt instruments), including the assumption of substantially all of the liabilities of the Acquired Fund, in exchange for that number of Acquiring Fund Common Shares and Acquiring Fund APS provided in Section 4 of this Agreement. Pursuant to this Agreement, as soon as practicable after the Closing Date, the Acquired Fund will distribute all Acquiring Fund Common Shares and Acquiring Fund APS received by it to its shareholders constructively in exchange for their Acquired Fund Common Shares and Acquired Fund APS Shares. Such distributions shall be accomplished by the opening of shareholder accounts on the share ledger records of the Acquiring Fund in the amounts due the shareholders of the Acquired Fund based on their respective holdings in the Acquired Fund as of the Valuation Time.
- (b) If it is determined that the portfolios of the Acquired Fund and the Acquiring Fund, when aggregated, would contain investments exceeding certain percentage limitations imposed upon the Acquiring Fund with respect to such investments, the Acquired Fund, if requested by the Acquiring Fund, will dispose of a sufficient amount of such investments as may be necessary to avoid violating such limitations as of the Closing Date. Notwithstanding the foregoing, (a) nothing herein will require the Acquired Fund to dispose of any portfolio securities or other investments, if, in the reasonable judgment of the Acquired Fund's Trustees or investment adviser, such disposition would adversely affect the tax-free nature of the Reorganization for federal income tax purposes or would otherwise not be in the best interests of the Acquired Fund, and (b) nothing will permit the Acquired Fund to dispose of any portfolio securities or other investments if, in the reasonable judgment of the Acquiring Fund's Trustees or investment adviser, such disposition would adversely affect the tax-free nature of the Reorganization for federal income tax purposes or would otherwise not be in the best interests of the Acquiring Fund.
- (c) Prior to the Closing Date, the Acquired Fund shall declare a dividend or dividends which, together with all such previous dividends, shall have the effect of distributing to their respective shareholders all of their respective net investment company taxable income to and including the Closing Date, if any (computed without regard to any deduction for dividends paid), and all of its net capital gain, if any, realized to and including the Closing Date.
- (d) The Acquired Fund will pay or cause to be paid to the Acquiring Fund any interest the Acquired Fund receives on or after the Closing Date with respect to any of the Acquired Fund Investments transferred to the Acquiring Fund hereunder.
- (e) The Valuation Time shall be the close of regular trading on the New York Stock Exchanges, normally 4:00 p.m., Eastern time, on the business day prior to the Closing Date, or such earlier or later day and time as may be mutually agreed upon in writing (the Valuation Time).
- (f) Recourse for liabilities assumed from the Acquired Fund by the Acquiring Fund in the Reorganization will be limited to the assets acquired by the Acquiring Fund. The known liabilities of the Acquired Fund, as of the Valuation Time, shall be confirmed to the Acquiring Fund pursuant to Section 2(j) of this Agreement.
- (g) The Acquired Fund will be terminated following the Closing Date by terminating its registration under the 1940 Act and its organization under Massachusetts law and will withdraw its authority to do business in any state where it is required to do so.
- (h) The Acquiring Fund will file with the Secretary of State of The Commonwealth of Massachusetts, as required, any amendment to its Declaration of Trust and By-Laws establishing the powers, rights and preferences of the Acquiring Fund APS prior to the closing of the Reorganization.

4. Issuance and Valuation of Acquiring Fund Common Shares and Acquiring Fund APS in the Reorganization.

- (a) Acquiring Fund Common Shares and Acquiring Fund APS of an aggregate net asset value or aggregate liquidation preference, as the case may be, equal to the value of the Acquired Fund Investments acquired in the Reorganization determined as hereinafter provided, shall be issued by the Acquiring Fund to the Acquired Fund in exchange for such Acquired Fund Investments. The Acquiring Fund will issue to the Acquired Fund (i) a number of Acquiring Fund Common Shares, the aggregate net asset value of which will equal the aggregate net asset value of the Acquired Fund Common Shares, determined as set forth below, and (ii) a number of Acquiring Fund APS, the aggregate liquidation preference and value of which will equal the aggregate liquidation preference and value of the Acquired Fund APS Shares, determined as set forth below.
- (b) The net asset value of the Funds Common Shares and the liquidation preference and value of the Acquired Fund APS Shares and the Acquiring Fund APS shall be determined as of the Valuation Time in accordance with the regular procedures of the investment adviser, and no formula will be used to adjust the net asset value so determined of any Fund to take into account differences in realized and unrealized gains and losses. Values in all cases shall be determined as of the Valuation Time. The value of the Acquired Fund Investments to be transferred to the Acquiring Fund shall be determined pursuant to the regular procedures of the investment adviser.
- (c) Such valuation and determination shall be made by the Acquiring Fund in cooperation with the Acquired Fund and shall be confirmed in writing by the Acquiring Fund to the Acquired Fund. The net asset value per share of the Acquiring Fund Common Shares and the liquidation preference and value per share of the Acquiring Fund APS shall be determined in accordance with such procedures and the Acquiring Fund shall certify the computations involved. For purposes of determining the net asset value of each Acquired Fund Common Share and Acquiring Fund Common Share, the value of the securities held by the applicable Fund, plus any cash or other assets (including interest accrued but not yet received), minus all liabilities (including accrued expenses) and the aggregate liquidation value of the outstanding shares of Acquired Fund APS Shares or Acquiring Fund APS, as the case may be, shall be divided by the total number of Acquired Fund Common Shares or Acquiring Fund Common Shares, as the case may be, outstanding at such time.
- (d) The Acquiring Fund shall issue to the Acquired Fund Acquiring Fund Common Shares and the Acquiring Fund APS, each registered in the name of the Acquired Fund. The Acquired Fund shall then distribute the Acquiring Fund Common Shares and the Acquiring Fund APS to the holders of Acquired Fund Common Shares and Acquired Fund APS Shares by establishing open accounts for each Acquired Fund shareholder on the share ledger records of the Acquiring Fund. Certificates representing Acquiring Fund Common Shares and Acquiring Fund APS will not be issued to Acquired Fund shareholders. With respect to any Acquired Fund shareholder holding certificates evidencing ownership of Acquired Fund Common Shares as of the Closing Date, and subject to the Acquiring Fund being informed thereof in writing by the Acquired Fund, the Acquiring Fund will not permit such shareholder to receive Acquiring Fund Common Shares or Acquiring Fund APS, exchange Acquiring Fund Common Shares or Acquiring Fund APS credited to such shareholder's account for shares of other investment companies managed by the Adviser or any of its affiliates, or pledge or redeem such Acquiring Fund Common Shares or Acquiring Fund APS, in any case, until notified by the Acquired Fund or its agent that such shareholder has surrendered his or her outstanding certificates evidencing ownership of Acquired Fund Common Shares or Acquired Fund APS Shares or, in the event of lost certificates, posted adequate bond. The Acquired Fund, at its own expense, will request its shareholders to surrender their outstanding certificates evidencing ownership of Acquired Fund Common Shares or Acquired Fund APS Shares, as the case may be, or post adequate bond therefor.

5. Payment of Expenses.

- (a) Except as otherwise agreed between the parties, the Acquired Fund will bear its own costs of the Reorganization, including those associated with the solicitation of its shareholders, legal costs and costs

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associated with the issuance of Acquiring Fund APS, and the Acquiring Fund will bear its own costs of the Reorganization, including legal costs and costs associated with the solicitation of its shareholders.

- (b) Notwithstanding any other provisions of this Agreement, if for any reason the transactions contemplated by this Agreement are not consummated, neither the Acquiring Fund nor the Acquired Fund shall be liable to the other for any damages resulting therefrom, including, without limitation, consequential damages, except as specifically set forth above.
- (c) Notwithstanding any of the foregoing, costs and expenses will in any event be paid by the party directly incurring them if and to the extent that the payment by another party of such costs and expenses would result in the disqualification of such party as a regulated investment company within the meaning of Subchapter M of the Code.

6. Covenants of the Funds.

- (a) Each Fund covenants to operate its business as presently conducted in the ordinary course of business between the date hereof and the Closing Date, it being understood that such ordinary course of business will include regular and customary dividends and distributions.
- (b) The Acquired Fund agrees that following the consummation of the Reorganization, it will terminate in accordance with the laws of The Commonwealth of Massachusetts and any other applicable law, it will not make any distributions of any Acquiring Fund Common Shares or Acquiring Fund APS other than to its respective shareholders and without first paying or adequately providing for the payment of all of its respective liabilities not assumed by the Acquiring Fund, if any, and on and after the Closing Date it shall not conduct any business except in connection with its termination.
- (c) The Acquired Fund undertakes that if the Reorganization is consummated, it will file an application pursuant to Section 8(f) of the 1940 Act for an order declaring that the Acquired Fund has ceased to be a registered investment company.
- (d) The Acquiring Fund will file the N-14 Registration Statement with the Securities and Exchange Commission (the Commission) and will use its best efforts to provide that the N-14 Registration Statement becomes effective as promptly as practicable. Each Fund agrees to cooperate fully with the other, and each will furnish to the other the information relating to itself to be set forth in the N-14 Registration Statement as required by the 1933 Act, the 1934 Act, the 1940 Act, and the rules and regulations thereunder and the state securities laws.
- (e) The Acquiring Fund has no plan or intention to sell or otherwise dispose of the Acquired Fund Investments, except for dispositions made in the ordinary course of business.
- (f) Each of the Funds agrees that by the Closing Date all of its federal and other tax returns and reports required to be filed on or before such date shall have been filed and all taxes shown as due on said returns either have been paid or adequate liability reserves have been provided for the payment of such taxes.
- (g) The intention of the parties is that the transaction contemplated by this Agreement will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code. Neither the Acquiring Fund nor the Acquired Fund shall take any action or cause any action to be taken (including, without limitation, the filing of any tax return) that is inconsistent with such treatment or results in the failure of the transaction to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code. At or prior to the Closing Date, the Acquiring Fund and the Acquired Fund will take such action, or cause such action to be taken, as is reasonably necessary to enable K&L Gates LLP (K&L Gates), special counsel to the Funds, to render the tax opinion required herein (including, without limitation, each party's execution of representations reasonably requested by and addressed to K&L Gates).
- (h) In connection with the covenant in subsection (f) above, the Funds agree to cooperate with each other in filing any tax return, amended return or claim for refund, determining a liability for taxes or a right to a

refund of taxes or participating in or conducting any audit or other proceeding in respect of taxes. The Acquiring Fund agrees to retain for a period of ten (10) years following the Closing Date all returns, schedules and work papers and all material records or other documents relating to tax matters of the Acquired Fund for each of such Fund's taxable period first ending after the Closing Date and for all prior taxable periods.

- (i) After the Closing Date, the Acquired Fund shall prepare, or cause its agents to prepare, any federal, state or local tax returns required to be filed by such fund with respect to its final taxable year ending with its complete liquidation and for any prior periods or taxable years and further shall cause such tax returns to be duly filed with the appropriate taxing authorities. Notwithstanding the aforementioned provisions of this subsection, any expenses incurred by the Acquired Fund (other than for payment of taxes) in connection with the preparation and filing of said tax returns after the Closing Date shall be borne by such Fund.
- (j) The Acquired Fund agrees to mail to its shareholders of record entitled to vote at the meeting of shareholders at which action is to be considered regarding this Agreement, in sufficient time to comply with requirements as to notice thereof, a combined proxy statement and prospectus which complies in all material respects with the applicable provisions of Section 14(a) of the 1934 Act and Section 20(a) of the 1940 Act, and the rules and regulations, respectively, thereunder.
- (k) Following the consummation of the Reorganization, the Acquiring Fund will continue its business as a diversified, closed-end management investment company registered under the 1940 Act.

7. Closing Date.

- (a) Delivery of the Acquired Fund Investments, and of the Acquiring Fund Common Shares and Acquiring Fund APS to be issued as provided in this Agreement, shall be made at such place and time as the Funds shall mutually agree on the next full business day following the Valuation Time, or at such other time and date agreed to by the Funds, the date and time upon which such delivery is to take place being referred to herein as the Closing Date. To the extent that any Acquired Fund Investments, for any reason, are not transferable on the Closing Date, the Acquired Fund shall cause such Acquired Fund Investments to be transferred to the Acquiring Fund's account with its custodian at the earliest practicable date thereafter.
- (b) The Acquired Fund will deliver to the Acquiring Fund on the Closing Date confirmation or other adequate evidence as to the tax basis of the Acquired Fund Investments delivered to the Acquiring Fund hereunder.
- (c) As soon as practicable after the close of business on the Closing Date, the Acquired Fund shall deliver to the Acquiring Fund a list of the names and addresses of all of the shareholders of record of the Acquired Fund on the Closing Date and the number of Acquired Fund Common Shares and Acquired Fund APS Shares owned by each such shareholder, certified to the best of its knowledge and belief by the transfer agent for the Acquired Fund or by its President.

8. Conditions of the Acquired Fund.

The obligations of the Acquired Fund hereunder shall be subject to the following conditions:

- (a) That this Agreement shall have been adopted, and the Reorganization shall have been approved, by the Board of Trustees of the Acquired Fund and by the affirmative vote of the holders of a majority (as defined in the 1940 Act) of the outstanding Acquired Fund Common Shares and of the outstanding Acquired Fund APS Shares, voting together as a single class; and the Acquired Fund shall have delivered to the Acquiring Fund a copy of the resolution approving this Agreement adopted by the Acquired Fund's Board of Trustees, and a certificate setting forth the vote of the holders of Acquired Fund Common Shares and Acquired Fund APS Shares obtained, each certified by its Secretary.
- (b) That the Acquired Fund shall have received from the Acquiring Fund a statement of assets, liabilities and capital, with values determined as provided in Section 4 of this Agreement, together with a schedule of such Fund's investments, all as of the Valuation Time, certified on the Acquiring Fund's behalf by its

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President (or any Vice President) or its Treasurer, and a certificate signed by the Fund's President (or any Vice President) and its Treasurer, dated as of the Closing Date, certifying that as of the Valuation Time and as of the Closing Date there has been no material adverse change in the financial position of the Acquiring Fund since the date of such Fund's most recent Annual or Semiannual Report, as applicable, other than changes in its portfolio securities since that date or changes in the market value of its portfolio securities.

- (c) That the Acquiring Fund shall have furnished to the Acquired Fund a certificate signed by the Acquiring Fund's President (or any Vice President) or its Treasurer, dated as of the Closing Date, certifying that, as of the Valuation Time and as of the Closing Date, all representations and warranties of the Acquiring Fund made in this Agreement are true and correct in all material respects with the same effect as if made at and as of such dates, and that the Acquiring Fund has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied at or prior to each of such dates.
- (d) That there shall not be any material litigation pending with respect to the matters contemplated by this Agreement.
- (e) The Acquired Fund shall have received the opinion of K&L Gates, counsel for the Acquiring Fund, dated as of the Closing Date, addressed to the Acquired Fund substantially in the form and to the effect that:
 - (i) the Acquiring Fund is duly formed and validly existing under the laws of its state of organization;
 - (ii) the Acquiring Fund is registered as a closed-end, management investment company under the 1940 Act;
 - (iii) this Agreement and the Reorganization provided for herein and the execution of this Agreement have been duly authorized and approved by all requisite action of the Acquiring Fund, and this Agreement has been duly executed and delivered by the Acquiring Fund and (assuming this Agreement is a valid and binding obligation of the other party hereto) is a valid and binding obligation of the Acquiring Fund;
 - (iv) neither the execution or delivery by the Acquiring Fund of this Agreement nor the consummation by the Acquiring Fund of the transactions contemplated hereby violate any provision of any statute or any published regulation or any judgment or order disclosed to counsel by the Acquiring Fund as being applicable to the Acquiring Fund;
 - (v) the Acquiring Fund Common Shares and Acquiring Fund APS have been duly authorized and, upon issuance thereof in accordance with this Agreement, will be validly issued, fully paid and non-assessable and no person is entitled to any preemptive or other similar rights with respect to Acquiring Fund Common Shares and Acquiring Fund APS. In regard to the statement that Acquiring Fund Common Shares and Acquiring Fund APS are non-assessable, such opinion will note that the Acquiring Fund is an entity of the type commonly known as a Massachusetts business trust. Under Massachusetts's law, shareholders could, under certain circumstances, be held personally liable for the obligations of the Acquiring Fund; and
 - (vi) to their knowledge and subject to the qualifications set forth below, the execution and delivery by the Acquiring Fund of this Agreement and the consummation of the transactions herein contemplated do not require, under the laws of its state of organization or any state in which the Acquiring Fund is qualified to do business or the federal laws of the United States, the consent, approval, authorization, registration, qualification or order of, or filing with, any court or governmental agency or body (except such as have been obtained). Counsel need express no opinion, however, as to any such consent, approval, authorization, registration, qualification, order or filing which may be required as a result of the involvement of other parties to this Agreement in the transactions herein contemplated because of their legal or regulatory status or because of any other facts specifically pertaining to them.
- (f) The Acquired Fund shall have obtained an opinion from K&L Gates dated as of the Closing Date, addressed to the Acquired Fund, and based upon such representations of the parties as K&L Gates may

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reasonably request, that the consummation of the transactions set forth in this Agreement comply with the requirements of a reorganization as described in Section 368(a) of the Internal Revenue Code.

- (g) That all proceedings taken by each of the Funds and its counsel in connection with the Reorganization and all documents incidental thereto shall be satisfactory in form and substance to the others.
- (h) That the N-14 Registration Statement shall have become effective under the 1933 Act, and no stop order suspending such effectiveness shall have been instituted or, to the knowledge of the Acquiring Fund, be contemplated by the SEC.

9. Acquiring Fund Conditions.

The obligations of the Acquiring Fund hereunder shall be subject to the following conditions:

- (a) That this Agreement shall have been adopted, and the Reorganization shall have been approved, by the Board of Trustees of the Acquiring Fund; and the issuance of additional Acquiring Fund Common Shares in connection with the Reorganization shall have been approved by the necessary affirmative vote of the holders of the outstanding Acquiring Fund Common Shares; and the Acquiring Fund shall have delivered to the Acquired Fund a copy of the resolution approving this Agreement adopted by the Acquiring Fund's Board of Trustees, and a certificate setting forth the vote of the holders of Acquiring Fund Common Shares obtained, each certified by its Secretary.
- (b) That the Acquired Fund shall have furnished to the Acquiring Fund a statement of its assets, liabilities and capital, with values determined as provided in Section 4 of this Agreement, together with a schedule of investments with their respective dates of acquisition and tax costs, all as of the Valuation Time, certified on the Acquired Fund's behalf by its President (or any Vice President) or its Treasurer, and a certificate signed by such Fund's President (or any Vice President) or its Treasurer, dated as of the Closing Date, certifying that as of the Valuation Time and as of the Closing Date there has been no material adverse change in the financial position of the Acquired Fund since the date of such Fund's most recent Annual Report or Semiannual Report, as applicable, other than changes in the Acquired Fund Investments since that date or changes in the market value of the Acquired Fund Investments.
- (c) That the Acquired Fund shall have furnished to the Acquiring Fund a certificate signed by the Acquired Fund's President (or any Vice President) or its Treasurer, dated the Closing Date, certifying that as of the Valuation Time and as of the Closing Date all representations and warranties of the Acquired Fund made in this Agreement are true and correct in all material respects with the same effect as if made at and as of such dates and the Acquired Fund has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied at or prior to such dates.
- (d) That there shall not be any material litigation pending with respect to the matters contemplated by this Agreement.
- (e) That the Acquiring Fund shall have received the opinion of K&L Gates, counsel for the Acquired Fund, dated as of the Closing Date, addressed to the Acquiring Fund, substantially in the form and to the effect that:
 - (i) the Acquired Fund is duly formed and validly existing under the laws of its state of organization;
 - (ii) the Acquired Fund is registered as a closed-end, management investment company under the 1940 Act;
 - (iii) this Agreement and the Reorganization provided for herein and the execution of this Agreement have been duly authorized by all requisite action of the Acquired Fund, and this Agreement has been duly executed and delivered by the Acquired Fund and (assuming this Agreement is a valid and binding obligation of the other party hereto) is a valid and binding obligation of the Acquired Fund;

- (iv) neither the execution or delivery by the Acquired Fund of this Agreement nor the consummation by the Acquired Fund of the transactions contemplated hereby violate any provision of any statute, or any published regulation or any judgment or order disclosed to them by the Acquired Fund as being applicable to the Acquired Fund; and
- (v) to their knowledge and subject to the qualifications set forth below, the execution and delivery by the Acquired Fund of the Agreement and the consummation of the transactions herein contemplated do not require, under the laws of its state of organization or any state in which the Acquired Fund is qualified to do business, or the federal laws of the United States, the consent, approval, authorization, registration, qualification or order of, or filing with, any court or governmental agency or body (except such as have been obtained under the 1933 Act, 1934 Act, the 1940 Act or the rules and regulations thereunder). Counsel need express no opinion, however, as to any such consent, approval, authorization, registration, qualification, order or filing which may be required as a result of the involvement of other parties to this Agreement in the transactions herein contemplated because of their legal or regulatory status or because of any other facts specifically pertaining to them.
- (f) That the Acquiring Fund shall have obtained an opinion from K&L Gates, counsel for the Acquired Fund, dated as of the Closing Date, addressed to the Acquiring Fund, and based upon such representation of the parties as K&L Gates may reasonably request, that the consummation of the transactions set forth in this Agreement comply with the requirements of a reorganization as described in Section 368(a) of the Code.
- (g) That the N-14 Registration Statement shall have become effective under the 1933 Act and no stop order suspending such effectiveness shall have been instituted or, to the knowledge of the Acquired Fund, be contemplated by the SEC.
- (h) That all proceedings taken by the Acquired Fund and its counsel in connection with the Reorganization and all documents incidental thereto shall be satisfactory in form and substance to the Acquiring Fund.
- (i) That prior to the Closing Date the Acquired Fund shall have declared a dividend or dividends which, together with all such previous dividends, shall have the effect of distributing to its shareholders all of its net investment company taxable income for the period to and including the Closing Date, if any (computed without regard to any deduction for dividends paid), and all of its net capital gain, if any, realized to and including the Closing Date.
- (j) The NYSE shall have approved the listing of the additional Acquiring Fund Common Shares to be issued to common shareholders of the Acquired Fund in connection with the reorganization.
- (k) The Acquiring Fund shall have obtained written confirmation from Standard and Poor's Ratings Group ("S&P") that (i) consummation of the Reorganization will not impair the ratings assigned by such rating agency to the existing Acquiring Fund APS, and (ii) the Acquiring Fund APS to be issued pursuant to the Reorganization will carry the same ratings as the existing Acquiring Fund APS.

10. Termination, Postponement, Amendment and Waivers.

- (a) Notwithstanding anything contained in this Agreement to the contrary, this Agreement may be terminated and the Reorganization abandoned at any time (whether before or after adoption thereof by the shareholders of the Fund) prior to the Closing Date, or the Closing Date may be postponed (i) by mutual consent of the Boards of Trustees of the Funds, (ii) by the Board of Trustees of the Acquired Fund if any condition of the Acquired Fund's obligations set forth in Section 8 of this Agreement has not been fulfilled or waived by such Board, or (iii) by the Board of Trustees of the Acquiring Fund if any condition of the Acquiring Fund's obligations set forth in Section 9 of this Agreement have not been fulfilled or waived by such Board.

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- (b) If the transactions contemplated by this Agreement have not been consummated by December 31, 2009, this Agreement may be terminated by mutual agreement of the Funds.
- (c) In the event of termination of this Agreement pursuant to the provisions hereof, the same shall become void and have no further effect, and there shall not be any liability on the part of any Fund or persons who are their directors, trustees, officers, agents or shareholders in respect of this Agreement.
- (d) At any time prior to or after approval of this Agreement by Acquired Fund shareholders: (i) the parties hereto may, by written agreement and without shareholder approval, amend any of the provisions of this Agreement; and (ii) either party may waive without such approval any default by the other party or the failure to satisfy any of the conditions to its obligations (such waiver to be in writing); provided, however, that following shareholder approval, no such amendment may have the effect of changing the provisions for determining the number of Acquiring Fund Common Shares or Acquiring Fund APS to be issued to the Acquired Fund's shareholders under this Agreement to the detriment of such shareholders without their further approval. The failure of a party hereto to enforce at any time any of the provisions of this Agreement shall in no way be construed to be a waiver of any such provision, nor in any way to affect the validity of this Agreement or any part hereof or the right of any party thereafter to enforce each and every such provision. No waiver of any breach of this Agreement shall be held to be a waiver of any other or subsequent breach.
- (e) The respective representations and warranties contained in Sections 1 and 2 of this Agreement shall expire with, and be terminated by, the consummation of the Reorganization, and neither Fund nor any of its officers, trustees, agents or shareholders shall have any liability with respect to such representations or warranties after the Closing Date. This provision shall not protect any officer, trustee, agent or shareholder of either Fund against any liability to the entity for which that officer, trustee, agent or shareholder so acts or to its shareholders, to which that officer, trustee, agent or shareholder otherwise would be subject by reason of willful misfeasance, bad faith, gross negligence, or reckless disregard of the duties in the conduct of such office.
- (f) If any order or orders of the Commission with respect to this Agreement shall be issued prior to the Closing Date and shall impose any terms or conditions which are determined by action of the Boards of Trustees of the Funds to be acceptable, such terms and conditions shall be binding as if a part of this Agreement without further vote or approval of the shareholders of the Funds unless such terms and conditions shall result in a change in the method of computing the number of Acquiring Fund Common Shares or Acquiring Fund APS to be issued to the Acquired Fund, in which event, unless such terms and conditions shall have been included in the proxy solicitation materials furnished to the shareholders of the Funds prior to the meetings at which the Reorganization shall have been approved, this Agreement shall not be consummated and shall terminate unless the Funds promptly shall call a special meeting of shareholders at which such conditions so imposed shall be submitted for approval.

11. Other Matters.

- (a) All covenants, agreements, representations and warranties made under this Agreement and any certificates delivered pursuant to this Agreement shall be deemed to have been material and relied upon by each of the parties, notwithstanding any investigation made by them or on their behalf.
- (b) All notices hereunder shall be sufficiently given for all purposes hereunder if in writing and delivered personally or sent by registered mail or certified mail, postage prepaid. Notice to the Acquired Fund shall be addressed to the Acquired Fund c/o Eaton Vance Management, 255 State Street, Boston, MA, Attention: Chief Legal Officer of the Eaton Vance Family of Funds, or at such other address as the Acquired Fund may designate by written notice to the Acquiring Fund. Notice to the Acquiring Fund shall be addressed to the Acquiring Fund c/o Eaton Vance Management, 255 State Street, Boston, MA, Attention: Chief Legal Officer of the Eaton Vance Family of Funds, or at such other address and to the attention of such other person as the Acquiring Fund may designate by written notice to the Acquired Fund. Any notice shall be deemed to have been served or given as of the date such notice is delivered personally or mailed.

- (c) This Agreement supersedes all previous correspondence and oral communications between the parties regarding the Reorganization, constitutes the only understanding with respect to the Reorganization and shall be governed by and construed in accordance with the laws of The Commonwealth of Massachusetts applicable to agreements made and to be performed in said state.
- (d) It is expressly agreed that the obligations of the Acquiring Fund and the Acquired Fund hereunder shall not be binding upon any of their respective trustees, shareholders, nominees, officers, agents, or employees personally, but shall bind only the trust property of the respective Fund as provided in such Fund's Declaration of Trust. A copy of the Declaration of Trust of each of the Acquiring Fund and the Acquired Fund is on file with the Secretary of State of The Commonwealth of Massachusetts. The execution and delivery of this Agreement has been authorized by the trustees of each Fund and signed by authorized officers of each Fund, acting as such, and neither such authorization by such trustees, nor such execution and delivery by such officers shall be deemed to have been made by any of them individually or to impose any liability on any of them personally, but shall bind only the trust property of each Fund as provided in such Fund's Declaration of Trust.
- (e) It is further expressly agreed that this Agreement shall be construed in accordance with and governed by the laws of The Commonwealth of Massachusetts.
- (f) This Agreement may be executed in any number of counterparts, each of which, when executed and delivered, shall be deemed to be an original but all such counterparts together shall constitute but one instrument.

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IN WITNESS WHEREOF, the parties have hereunto caused this Agreement to be executed and delivered by their duly authorized officers as _____, 2009.

ATTEST:

EATON VANCE NATIONAL
MUNICIPAL INCOME TRUST

Maureen A. Gemma, Secretary

By: _____
Cynthia J. Clemson, President

ATTEST:

EATON VANCE MUNICIPAL
INCOME TRUST

Maureen A. Gemma, Secretary

By: _____
Robert B. MacIntosh, President

APPENDIX B

ADDITIONAL INFORMATION ABOUT APS

Purchase and Sales. As described in the Proxy/Statement Prospectus, since mid-February 2008 the functioning of the auction markets for certain types of auction rate securities (including APS) has been disrupted by an imbalance between buy and sell orders. As a result of this imbalance, auctions for APS have not cleared and APS generally have become illiquid. There is no current expectation that these circumstances will change following the Reorganization and it is possible that the APS markets will never resume normal functioning.

Under normal functioning auction market circumstances, which as described above have not occurred since before mid-February 2008 and may never recur, each Fund's APS are purchased and sold at separate auctions conducted on a regular basis (unless a Fund elects, subject to certain conditions, to declare a special dividend period) by Deutsche Bank Trust Company Americas, as Auction Agent for each Fund's APS (the Auction Agent). Unless otherwise permitted by the Funds, existing and potential holders of APS may participate in auctions only through their broker-dealers. Broker-dealers submit the orders of their respective customers who are existing and potential holders of preferred shares to the Auction Agent. On or prior to each auction date for APS (the business day prior to the beginning of a dividend period), each holder may submit a hold order, bid or sell order to its broker-dealer. Broker-dealers may maintain a secondary trading market in APS outside of auctions; however, historically they have not done so and are not expected to do so in the future. The broker-dealers have no obligation to make a secondary market in APS outside of the auction and there can be no assurance that a secondary market for APS will develop or, if it does develop, that it will provide holders with liquidity of investment. You may transfer APS outside of auctions only to or through a broker-dealer. APS are not registered on any stock exchange.

Broker-Dealers. After each auction, the Auction Agent will pay a service charge, from funds provided by each Fund, to each broker-dealer, at the annual rate of 0.25% of the aggregate purchase price of all APS placed by such broker-dealer in such auction, for the number of days in the rate period to which such auction relates, calculated on the basis of a year of 360 days. For purposes of the preceding sentence, APS will be deemed to have been placed by a broker-dealer if such shares were: (i) the subject of hold orders deemed to have been made by existing holders of preferred shares that initially were acquired by such existing holders through such broker-dealer; or (ii) the subject of the following orders submitted by such broker-dealer: (a) a submitted bid of an existing holder pursuant to which such existing holder continues to hold such shares as a result of the auction; (b) a submitted bid of a potential holder pursuant to which such potential holder purchases such shares as a result of the auction; or (c) a submitted hold order.

The broker-dealer agreements provide that a broker-dealer may submit orders in auctions for its own account unless a Fund notifies all broker-dealers that they may no longer do so; provided, however, that in any event such broker-dealers may continue to submit hold orders and sell orders. If a broker-dealer submits an order for its own account in any auction, it may have knowledge of orders placed through it in that auction and therefore have an advantage over other bidders; such broker-dealer, however, would not have knowledge of orders submitted by other broker-dealers in that auction. In the broker-dealer agreements, broker-dealers agree to handle customer orders in accordance with their respective duties under applicable securities laws and rules.

Dividends and Dividend Periods. Dividends on the APS will accumulate from the date on which a Fund originally issues the APS (the Date of Original Issue) and will be payable on the APS on the dates described below. Dividends on the APS will be payable, at the option of each Fund, either: (i) with respect to any 7-Day Dividend Period and any short term dividend period of up to 28 days, on the following day; or (ii) with respect to any short term dividend period greater than 28 days and with respect to any Long Term Dividend Period, monthly on the first business day of each calendar month during either such period and on the day next succeeding the last day thereof, except that if such dividend payment date is not a business day, the dividend payment date is the next business day. Although any particular dividend payment date may not occur on the originally scheduled date, the next succeeding dividend payment date will occur on the next following originally scheduled date. If for any reason a dividend payment date cannot be fixed, then the Board shall fix the date. The Board may change a dividend payment date if such change does not adversely affect the contract rights of the holders of APS set forth in the Fund's By-Laws.

Prior to each dividend payment date, each Fund is required to deposit with the Auction Agent sufficient funds for the payment of declared dividends. The Funds do not intend to establish any reserves for the payment of dividends.

Each dividend will be paid to the record holder of the APS. Dividends in arrears for any past dividend period may be declared and paid at any time, without reference to any regular dividend payment date. Any dividend payment made on the APS first shall be credited against the earliest declared but unpaid dividends accumulated with respect to such shares.

Holders of the APS will not be entitled to any dividends, whether payable in cash, property or stock, in excess of full cumulative dividends except as described under *Additional Dividends* below. No interest will be payable in respect of any dividend payment or payments on the APS which may be in arrears.

The amount of cash dividends per share of APS payable on each dividend payment date of each short term dividend period is computed by multiplying the applicable rate by the number of days in such Dividend Period or part thereof that such share was outstanding and for which dividends are payable on such dividend payment date, dividing by 365, multiplying by \$25,000, and rounding to the nearest cent. During any Long Term Dividend Period, the amount of cash dividends per share of APS payable on any dividend payment date is computed by multiplying the applicable rate by the number of days in such part of such dividend period that such share was outstanding and for which dividends are payable on such dividend payment date, dividing by 360, multiplying by \$25,000, and rounding to the nearest cent.

Notification of Dividend Period. With respect to each Special Dividend Period, each Fund, at its sole option and to the extent permitted by law, by telephonic and written notice to the auction agent and to each broker-dealer, may request that the next succeeding dividend period will be a number of days (other than seven), evenly divisible by seven, and between seven and 364 in the case of a short term dividend period or one to five years in the case of a Long Term Dividend Period, provided that a Fund may not give such a request of greater than 28 days unless sufficient clearing bids were made in the last occurring auction and unless full cumulative dividends, any amounts due with respect to redemptions, and any additional dividends payable prior to such date have been paid in full. Such request, in the case of a short term dividend period, shall be given on or prior to the second business day but not more than seven business days prior to an auction date and, in the case of a Long Term Dividend Period, shall be given on or prior to the second business day but not more than 28 days prior to an auction date. Upon receiving such request, the broker-dealers jointly shall determine whether it is advisable that a Fund issue a notice of special dividend period as contemplated by such request and the optional redemption price of the APS during such period and the specific redemption provisions and shall give each Fund and the auction agent written notice (a *Response*) of such determination by no later than the second business day prior to such auction date. In making such determination, the broker-dealers will consider: (i) existing short-term and long-term market rates and indices of such short-term and long-term rates; (ii) existing market supply and demand for short-term and long-term securities, (iii) existing yield curves for short-term and long-term securities comparable to the APS; (iv) industry and financial conditions which may affect the APS; (v) the investment objective of a Fund; and (vi) the dividend periods and dividend rates at which current and potential beneficial holders of the APS would remain or become beneficial holders.

If the broker-dealers do not give a Fund and the auction agent a *Response* by such second business day or if the *Response* states that it is not advisable that the Fund give a notice of special dividend period for the APS, the Fund may not give such notice. In the event the *Response* indicates that it is advisable that a Fund give such notice, the Fund, by no later than the second business day prior to the auction date, may give such notice to the auction agent, the securities depository and each broker-dealer, which notice will specify: (i) the duration of the special dividend period; (ii) the optional redemption price as specified in the related *Response*; and (iii) the specific redemption provisions, if any, as specified in the related *Response*. Each Fund also shall provide a copy of such notice to S&P.

A Fund will not give a notice of special dividend period, and, if the notice has been given already, shall give telephonic and written notice of revocation to the auction agent, each broker-dealer, and the securities depository on or prior to the business day prior to the relevant auction date if: (x) either the 1940 Act APS asset coverage is not satisfied or the Fund fails to maintain S&P eligible assets with an aggregate discounted value at least equal to the APS basic maintenance amount, on each of the two valuation dates immediately preceding the business day prior to the relevant auction date on an actual basis and on a pro forma basis giving effect to the proposed special dividend

period (using as a pro forma dividend rate with respect to such period the dividend rate which the broker-dealers shall advise a Fund is an approximately equal rate for securities similar to the APS with an equal dividend period); (y) sufficient funds for the payment of dividends payable on the immediately succeeding dividend payment date have not been irrevocably deposited with the auction agent by the close of business on the third business day preceding the related auction date; or (z) the broker-dealers jointly advise a Fund that, after consideration of the factors listed above, they have concluded that it is advisable to give a notice of revocation. Each Fund also shall provide a copy of such notice to S&P. If a Fund is prohibited from giving a notice as a result of the factors enumerated in clause (x), (y) or (z) above, or if the Fund gives a notice of revocation with respect to a notice of special dividend period, the next succeeding dividend period for that series will be a 7-day dividend period. In addition, in the event sufficient clearing bids are not made in any auction or an auction is not held for any reason, the next succeeding dividend period will be a 7-day dividend period, and the Fund may not again give a notice of special dividend period (and any such attempted notice shall be null and void) until sufficient clearing bids have been made in an auction with respect to a 7-day dividend period.

Determination of Dividend Rate. When auctions are functioning, the applicable rate on the APS for each dividend period is equal to the rate that results from the auction with respect to such dividend period. Cash dividends are calculated as set forth in the Proxy Statement/Prospectus above under Dividends General.

Non-Payment Period; Late Charge. A non-payment period will commence if a Fund fails to: (i) declare, prior to the close of business on the second business day preceding any dividend payment date, for payment within three business days after such date to the persons who held such shares as of 12:00 noon, Eastern time, on the business day preceding such date, the full amount of any dividend payable on such date; or (ii) deposit with the Auction Agent by 12:00 noon, Eastern time: (A) on such date the full amount of any cash dividend on such shares (if declared) payable on such date; or (B) on any redemption date for the APS called for redemption, the mandatory redemption price per share or, in the case of an optional redemption, the optional redemption price per share. Such non-payment period will consist of the period commencing on and including the dividend payment date or redemption date, as the case may be, and ending on and including the business day on which, by 12:00 noon, Eastern time, all unpaid cash dividends and unpaid redemption prices shall have been so deposited or otherwise shall have been made available to the applicable holders in same-day funds, provided that a non-payment period for the APS will not end unless a Fund shall have given at least five days but no more than 30 days written notice of such deposit or availability to the Auction Agent, the securities depository and all holders of the APS of such series.

Notwithstanding the foregoing, the failure by a Fund to deposit funds within three business days after any dividend payment date or redemption date does not constitute a non-payment period. The applicable rate for each dividend period, commencing during a non-payment period, will be equal to the non-payment period rate; and each dividend period during a non-payment period shall be a 3-day dividend period. Any dividend due on any dividend payment date or redemption price not paid when due may be paid on any of the first three business days after such dividend payment date or due date, provided that such amount is accompanied by a late charge equal to the non-payment period rate multiplied by the number of days in such period divided by 365.

If a Fund willfully fails to pay a dividend or redeem any APS, the applicable rate will be the non-payment period rate. The non-payment period rate is 200% of the applicable reference Rate (or 275% if a Fund has provided notification to the auction agent prior to the auction that net capital gains or other taxable income will be included in such dividend on the APS), provided that the Board may change the initial non-payment period rate if the Board determines and S&P (or another Rating Agency) advises the Fund in writing that such change will not adversely affect its rating on the APS.

Restrictions on Dividends and Other Payments. Under the 1940 Act, a Fund may not declare dividends or make other distributions on common shares or purchase any such shares if, at the time of the declaration, distribution or purchase (and after giving effect thereto), asset coverage (as defined in the 1940 Act) with respect to the outstanding APS would be less than 200%. Under the Code, each Fund must, among other things, distribute each year at least 90% of the sum of its net tax-exempt income and investment company taxable income in order to maintain its qualification for tax treatment as a regulated investment company. These limitations may impair a Fund's ability to maintain such qualification. See U.S. Federal Income Tax Matters in the Proxy Statement/Prospectus.

Upon any failure to pay dividends on the APS for two years or more, the holders of the APS will acquire certain additional voting rights. See *Voting Rights* in the Proxy Statement/Prospectus.

For so long as any APS are outstanding, a Fund will not declare, pay or set apart for payment any dividend or other distribution (other than a dividend or distribution paid in shares of, or options, warrants or rights to subscribe for or purchase, common shares or other stock, if any, ranking junior to the APS as to dividends or upon liquidation) in respect of common shares or any other stock of the Fund ranking junior to or on a parity with the APS as to dividends or upon liquidation, or call for redemption, redeem, purchase or otherwise acquire for consideration any common shares or shares of any other such junior stock (except by conversion into or exchange for stock of the Fund ranking junior to APS as to dividends and upon liquidation) or any such parity stock (except by conversion into or exchange for stock of the Fund ranking junior to or on a parity with APS as to dividends and upon liquidation), unless: (A) immediately after such transaction, the Fund would have S&P eligible assets with an aggregate discounted value equal to or greater than the APS basic maintenance amount, and the 1940 Act APS asset coverage would be satisfied; (B) full cumulative dividends on the APS due on or prior to the date of the transaction have been declared and paid or shall have been declared and sufficient funds for the payment thereof deposited with the auction agent; (C) any additional dividend required to be paid on or before the date of such declaration or payment has been paid; and (D) the Fund has redeemed the full number of APS required to be redeemed by any provision for mandatory redemption contained in the By-Laws.

Additional Dividends. If a Fund retroactively allocates any net capital gains or other taxable income to the APS without having given advance notice to the auction agent solely by reason of the fact that such an allocation results from: (i) the redemption of all or a portion of the outstanding APS; (ii) the liquidation of the Fund; or (iii) a debt obligation believed to be a municipal obligation proving to be an obligation subject to federal income tax and/or a relevant state tax (the amount of any of such allocations referred to herein as a *retroactive taxable allocation*), the Fund, within 90 days after the end of the Fund's fiscal year for which such retroactive taxable allocation is made, will provide notice thereof to the auction agent and to each holder of APS during such fiscal year at such holder's address as the same appears or last appeared on the stock books of the Fund. Each such Fund, within 30 days after such notice is given to the auction agent, will pay to the auction agent (who then will distribute to such holders of the APS) an amount equal to the aggregate additional dividend with respect to all retroactive taxable allocations made to such holders during the fiscal year in question. See *U.S. Federal Income Tax Matters* in the Proxy Statement/Prospectus.

An *additional dividend* means a payment to a present or former holder of the APS of an amount that would cause: (i) the amount of such holder's dividends received on the APS with respect to the fiscal year in question (including the additional dividend) less the federal income tax and applicable state tax attributable to the aggregate of: (x) the retroactive taxable allocations made to such holder with respect to the fiscal year in question; and (y) the additional dividend (to the extent taxable), to equal (ii) the dollar amount of such holder's dividends received on the APS with respect to the fiscal year in question (excluding the additional dividend) if there had been no retroactive taxable allocations. An additional dividend is calculated: (i) without consideration being given to the time value of money; (ii) assuming that none of the dividends received from a Fund is a preference item; and (iii) assuming that each retroactive taxable allocation would be taxable in the hands of each holder of shares of APS at the greater of: (x) the maximum marginal combined regular federal and state income tax rate applicable to ordinary income or capital gains depending on the taxable character of the distribution (including any surtax); or (y) the maximum marginal regular federal corporate income tax rate applicable to ordinary income or capital gains depending on the taxable character of the distribution (disregarding in both (x) and (y) the effect of any state or local taxes and the phase out of, or provision limiting, personal exemptions, itemized deductions, or the benefit of lower tax brackets). Although each Fund generally intends to designate any additional dividend as an *exempt-interest dividend* to the extent permitted by applicable law, it is possible that all or a portion of any additional dividend will be taxable to the recipient thereof. A Fund will not pay a further additional dividend with respect to any taxable portion of an additional dividend.

If a Fund does not give advance notice of the amount of taxable income to be included in a dividend on the APS in the related auction, the Fund may include such taxable income in a dividend on the APS if it increases the dividend by an additional amount calculated as if such income were a retroactive taxable allocation and the additional amount were an additional dividend and notifies the auction agent of such inclusion at least five days prior to the applicable dividend payment date.

APPENDIX C

DIVIDEND REINVESTMENT PLANS

Each Fund offers a dividend reinvestment plan (the DR Plan) pursuant to which common shareholders may elect to have dividends and capital gains distributions automatically reinvested in additional common shares of the Fund. If a common shareholder does not participate, the shareholder will receive all distributions in cash paid by check mailed directly to the shareholder by American Stock Transfer & Trust Company (AST) as dividend paying agent. On the distribution payment date, if the Fund's NAV is equal to or less than the market price per share plus estimated brokerage commissions, then new shares will be issued to DR Plan participants. The number of shares is determined by the greater of the NAV or 95% of the market price. Otherwise, shares generally will be purchased on the open market by AST, the Plan Agent. Distributions subject to income tax (if any) are taxable whether or not shares are reinvested.

If a shareholder holds common shares in the name of a brokerage firm, bank, or other nominee, the shareholder can ask the firm or nominee to participate in the DR Plan on the shareholder's behalf. If the nominee does not offer the DR Plan, the shareholder will need to request that his or her shares be re-registered in his or her name with each Fund's transfer agent, AST, or the shareholder will not be able to participate.

The Plan Agent's service fee for handling distributions will be paid by each Fund. Each participant will be charged his or her pro rata share of brokerage commissions on all open-market purchases.

Shareholders of a Fund may join its respective DR Plan by filling out and mailing an authorization card or by notifying the DR Plan Agent by telephone. If received in proper form by the Plan Agent before the record date of a dividend, the election will be effective with respect to all dividends paid after such record date.

DR Plan participants may withdraw from the DR Plan at any time by writing to the Plan Agent. If a participant withdraws, he or she will receive shares in his or her name for all shares credited to the participant's account under the DR Plan. If a participant elects by written notice to the Plan Agent to have the Plan Agent sell part or all of his or her shares and remit the proceeds, the Plan Agent is authorized to deduct a \$5.00 fee plus brokerage commissions from the proceeds.

After the Reorganization, a holder of shares of a Fund who currently elects to receive dividends in cash will continue to receive dividends in cash; all holders who currently elect to participate in the DR Plan of a Fund will have their dividends automatically reinvested in shares of the Combined Fund.

The reinvestment of dividends and distributions will not relieve participants of any federal income tax that may be payable or required to be withheld on such dividends or distributions. Participants in a DR Plan will receive tax information annually. The amount of dividend to be reported on the 1099-DIV should be: (1) in the case of shares issued by a Fund, the fair market value of such shares on the dividend payment date; or (2) in the case of shares purchased by the Plan Agent in the open market, the amount of cash used by the Plan Agent to purchase shares in the open market, including the amount of cash allocated to brokerage commissions paid on such purchases. Experience under a DR Plan may indicate that changes are desirable. Accordingly, each Fund reserves the right to amend or terminate its DR Plan upon 30 days' written notice to all common shareholders of a Fund. All correspondence or additional information concerning the DR Plans should be directed to the Plan Agent, AST, P.O. Box 922 Wall Street Station New York, N.Y. 10269-0560, (866) 439-6787.

APPENDIX D**CERTAIN U.S. TAX CONSEQUENCES**

Each Fund intends to elect to be treated and to qualify each year as a regulated investment company under Subchapter M of the Code so that it generally will not pay U.S. federal income tax on income and capital gains distributed to shareholders. In order to qualify as a regulated investment company under Subchapter M of the Code, which qualification this discussion assumes, a Fund must, among other things: (i) derive at least 90% of its gross income for each taxable year from (a) dividends, interest, payments with respect to securities loans, gains from the sale or other disposition of stock, securities or foreign currencies, or other income (including gains from options, futures and forward contracts) derived with respect to its business of investing in such stock, securities or currencies and (b) net income derived from interests in certain publicly traded partnerships that are treated as partnerships for U.S. federal income tax purposes and that derive less than 90% of their gross income for the items described in (a) above (each a Qualified Publicly Traded Partnership) (the 90% income test); and (ii) diversify its holdings so that, at the end of each quarter of each taxable year: (a) at least 50% of the value of the Fund's total assets is represented by (I) cash and cash items, U.S. government securities, the securities of other regulated investment companies and (II) other securities, with such other securities limited, in respect to any one issuer, to an amount not greater than 5% of the value of the Fund's total assets and not more than 10% of the outstanding voting securities of such issuer and (b) not more than 25% of the value of the Fund's total assets is invested in the securities (other than U.S. government securities and the securities of other regulated investment companies) of (I) any one issuer, (II) any two or more issuers that the Fund controls and that are determined to be engaged in the same or similar trades or businesses or related trades or businesses or (III) any one or more Qualified Publicly Traded Partnerships. For purposes of the 90% income test, the character of income earned by certain entities in which a Fund invests that are not treated as corporations for U.S. federal income tax purposes (e.g., partnerships or trusts) will generally pass through to the Fund. Consequently, a Fund may be required to limit its equity investments in such entities that earn fee income, rental income or other nonqualifying income.

If a Fund qualifies as a regulated investment company and, for each taxable year, it distributes to its shareholders an amount equal to or exceeding the sum of: (i) 90% of its investment company taxable income as that term is defined in the Code (which includes, among other things, dividends, taxable interest and the excess of any net short-term capital gains over net long-term capital losses, as reduced by certain deductible expenses) without regard to the deduction for dividends paid; and (ii) 90% of the excess of its gross tax-exempt interest, if any, over certain disallowed deductions, the Fund generally will be relieved of U.S. federal income tax on any income of a Fund, including net capital gains (the excess of net long-term capital gain over net short-term capital loss), distributed to shareholders. However, if a Fund retains any investment company taxable income or net capital gain, it generally will be subject to U.S. federal income tax at regular corporate rates on the amount retained. Each Fund intends to distribute at least annually all or substantially all of its investment company taxable income, net tax exempt interest, if any, and net capital gain. If for any taxable year a Fund did not qualify as a regulated investment company, it would be treated as a corporation subject to U.S. federal income tax thereby subjecting any income earned by the Fund to tax at the corporate level at a 35% federal tax rate and, when such income is distributed, to a further tax at the shareholder level. In addition, a Fund could be required to recognize unrealized gains, pay taxes and make distributions (which could be subject to interest charges) before re-qualifying as a regulated investment company.

In order to avoid incurring a nondeductible 4% federal excise tax obligation, the Code requires that a Fund distribute (or be deemed to have distributed) by December 31 of each calendar year an amount at least equal to the sum of (i) 98% of its ordinary income for such year, (ii) 98% of its capital gain net income (which is the excess of its realized net long-term capital gain over its realized net short-term capital loss), generally computed on the basis of the one-year period ending on October 31 of such year, after reduction by any available capital loss carryforwards and (iii) 100% of any ordinary income and capital gain net income from the prior year (as previously computed) that were not paid out during such year and on which the Fund paid no federal income tax. Under current law, provided that a Fund qualifies as a regulated investment company for federal income tax purposes, the Fund should not be liable for any income, corporate excise or franchise tax in the Commonwealth of Massachusetts.

Although dividends generally will be treated as distributed when paid, any dividend declared by a Fund as of a record date in October, November or December and paid during the following January will be treated for U.S. federal income tax purposes as received by shareholders on December 31 of the calendar year in which it is

declared. In addition, certain other distributions made after the close of a taxable year of a Fund may be spilled back and treated as paid by the Fund (except for purposes of the 4% excise tax) during such taxable year. In such case, shareholders will be treated as having received such dividends in the taxable year in which the distributions were actually made.

Each holder of common shares of the Funds will receive all distributions of dividends and capital gains in cash, unless an election is made to participate in the DR plan. Each dividend distribution ordinarily will constitute income exempt from federal income tax. For U.S. federal income tax purposes, assuming the Fund has sufficient current or accumulated earnings and profits, any taxable distributions generally will be taxable whether a shareholder takes them in cash or they are reinvested pursuant to the DR Plan in additional shares of the Fund. In general, taxable dividends from investment company taxable income are taxable either as ordinary income or, if so designated by the Fund, as qualified dividend income taxable to individual shareholders at a maximum 15% tax rate (if any) and dividends from net capital gain (if any) that are designated as capital gain dividends are taxable as long-term capital gains for U.S. federal income tax purposes without regard to the length of time the shareholder has held shares of the Fund. A portion of the dividend distributions to individual shareholders may qualify as qualified dividend income as that term is defined in Section 1(h)(11) of the Code, qualifying for the maximum 15% tax rate on dividends under the Jobs and Growth Tax Relief Reconciliation Act of 2003 to the extent that such dividends are attributable to qualified dividend income from the Fund's investments in common and preferred stock of U.S. companies and stock of certain foreign corporations, provided that certain holding period and other requirements are met. Capital gain dividends distributed by a Fund (if any) to individual shareholders generally will qualify for the maximum 15% tax rate under such Act. Absent further legislation, the maximum 15% tax rate on qualified dividend income and long-term capital gains will cease to apply to taxable years beginning after December 31, 2010. Shareholders receiving distributions in the form of additional shares issued by a Fund will be treated for federal income tax purposes as receiving a distribution in an amount equal to the amount of cash they would have received had they elected to receive cash, except when a Fund distributes newly issued shares, in which case the amount of the distribution will be equal to the fair market value of the shares received, determined as of the distribution date. The basis of such shares will equal the amount of the distribution. The source and U.S. federal income tax status of all distributions will be reported to shareholders annually and shareholders receiving distributions in the form of additional shares of a Fund will receive a report as to the NAV of those shares.

If a Fund retains any net capital gains for a taxable year, the Fund may designate the retained amount as undistributed capital gains in a notice to shareholders who, if subject to U.S. federal income tax on long-term capital gains: (i) will be required to include in income for U.S. federal income tax purposes, as long-term capital gain, their proportionate shares of such undistributed amount; and (ii) will be entitled to credit their proportionate shares of the tax paid by the Fund on the undistributed amount against their U.S. federal income tax liabilities, if any, and to claim refunds to the extent the credit exceeds such liabilities.

When a Fund utilizes leverage through borrowing or issuing APS, a failure by the Fund to meet the asset coverage requirements imposed by the 1940 Act or by any Rating Agency that has rated such leverage or additional restrictions that may be imposed by certain lenders on the payment of dividends or distributions potentially could limit or suspend the Fund's ability to make distributions on its common shares. Such a suspension or limitation could prevent the Fund from distributing at least 90% of its investment company taxable income as is required under the Code and therefore might jeopardize the Fund's qualification for taxation as a regulated investment company and/or might subject the Fund to the 4% excise tax discussed above. Upon any failure to meet such asset coverage requirements, a Fund may, in its sole discretion, purchase or redeem shares of APS in order to maintain or restore the requisite asset coverage and avoid the adverse consequences to the Fund and its shareholders of failing to satisfy the distribution requirement. There can be no assurance, however, that any such action would achieve these objectives. Each Fund will endeavor to avoid restrictions on its ability to distribute dividends.

If for any taxable year a Fund fails to qualify for treatment as a regulated investment company under the Code, the Fund will incur a regular federal corporate income tax on its taxable income (including capital gain), irrespective of whether such income has been distributed to shareholders. Taxable distributions to its shareholders for such year would be taxable as ordinary dividends to the extent of the Fund's current and accumulated earnings and profits, if any. Before requalifying as a regulated investment company for a subsequent taxable year, the Fund would be required to distribute to shareholders any earnings and profits accumulated in the taxable year(s) for which it did not qualify as a regulated investment company.

If a Fund invests in certain pay-in-kind securities, zero coupon securities, deferred interest securities or, in general, any other securities with original issue discount (or with market discount if the Fund elects to include market discount in income currently), the Fund generally must accrue income on such investments for each taxable year, which generally will be prior to the receipt of the corresponding cash payments. However, a Fund must distribute, at least annually, all or substantially all of its investment company taxable income, including such accrued income, to shareholders to qualify as a regulated investment company under the Code and avoid U.S. federal income and excise taxes. Therefore, a Fund may have to dispose of its portfolio securities under disadvantageous circumstances to generate cash, or may have to borrow the cash, to satisfy distribution requirements.

At the time of an investor's purchase of a Fund's shares, a portion of the purchase price may reflect realized or unrealized appreciation in the Fund's portfolio or undistributed taxable income of the Fund. Consequently, subsequent distributions by the Fund with respect to these shares from such appreciation or income may be taxable as ordinary income or capital gain to such investor even if the NAV of the investor's shares is, as a result of the distributions, reduced below the investor's cost for such shares or the NAV at the time of the investor's purchase of such shares, and the distributions economically represent a return of a portion of the investment.

Sales and other dispositions of a Fund's shares (including APS) generally are taxable events for shareholders that are subject to tax. Shareholders should consult their own tax advisers with reference to their individual circumstances to determine whether any particular transaction in a Fund's shares (including a redemption of APS) is properly treated as a sale for tax purposes, as the following discussion assumes, and the tax treatment of any gains or losses recognized in such transactions. In general, if shares of a Fund (including APS) are sold, the shareholder will recognize gain or loss equal to the difference between the amount realized on the sale and the shareholder's adjusted basis in the shares sold. Such gain or loss generally will be treated as long-term gain or loss if the shares were held for more than one year and otherwise generally will be treated as short-term gain or loss. Even if a redemption of APS were treated as a sale or exchange, any declared but unpaid dividends distributed to shareholders in connection with the redeemed APS will be taxable to shareholders as dividends as described above.

Any loss recognized by a shareholder upon the sale or other disposition of shares with a tax holding period of six months or less generally will be treated as a long-term capital loss to the extent of any amounts treated as distributions of long-term capital gains with respect to such shares. Losses on sales or other dispositions of shares may be disallowed under "wash sale" rules in the event of other investments in a Fund (including those made pursuant to reinvestment of dividends and/or capital gains distributions) within a period of 61 days beginning 30 days before and ending 30 days after a sale or other disposition of shares. In that event, the basis of the replacement shares of the Fund will be increased to reflect the disallowed loss.

Under Treasury regulations, if a shareholder recognizes a loss with respect to shares of \$2 million or more for an individual shareholder, or \$10 million or more for a corporate shareholder, in any single taxable year (or a greater amount over a combination of years), the shareholder must file with the IRS a disclosure statement on Form 8886. Direct shareholders of portfolio securities are in many cases excepted from this reporting requirement but, under current guidance, shareholders of regulated investment companies are not excepted. The fact that a loss is reportable under these regulations does not affect the legal determination of whether or not the taxpayer's treatment of the loss is proper. Shareholders should consult with their tax advisers to determine the applicability of these regulations in light of their individual circumstances.

Options written or purchased and futures contracts entered into by a Fund on certain securities and indices may cause the Fund to recognize gains or losses from marking-to-market even though such options may not have lapsed, been closed out, or exercised, or such futures or forward contracts may not have been performed or closed out. The tax rules applicable to these contracts may affect the characterization of some capital gains and losses recognized by a Fund as long-term or short-term. Additionally, a Fund may be required to recognize gain if an option, futures contract, forward contract, short sale or other transaction that is not subject to the mark-to-market rules is treated as a "constructive sale" of an appreciated financial position held by the Fund under Section 1259 of the Code. Any net mark-to-market gains and/or gains from constructive sales may also have to be distributed to satisfy the distribution requirements referred to above even though a Fund may receive no corresponding cash amounts, possibly requiring the Fund to dispose of portfolio securities or borrow to obtain the necessary cash. Losses on certain options, futures or forward contracts and/or offsetting positions (portfolio securities or other positions with respect to which a Fund's risk of loss is substantially diminished by one or more options, futures or forward

contracts) may also be deferred under the tax straddle rules of the Code, which may also affect the characterization of capital gains or losses from straddle positions and certain successor positions as long-term or short-term. Certain tax elections may be available that would enable a Fund to ameliorate some adverse effects of the tax rules described in this paragraph. The tax rules applicable to options, futures, forward contracts and straddles may affect the amount, timing and character of a Fund's income and gains or losses and hence of its distributions to shareholders.

Each Fund believes that under present law its APS will constitute stock of the Fund and distributions with respect to APS (other than distributions in redemption of the preferred shares that are treated as exchanges under Section 302(b) of the Code) will constitute dividends to the extent of the Fund's current or accumulated earnings and profits as calculated for U.S. federal income tax purposes. Such dividends generally will be taxable as ordinary income to shareholders (other than qualified dividend income and capital gain dividends). This view relies in part on a published ruling of the Internal Revenue Service (the IRS) stating that certain preferred stock similar in many material respects to APS represents equity. It is possible, however, that the IRS might take a contrary position asserting, for example that the APS constitute debt of a Fund. If this position were upheld, the discussion of the treatment of distributions above would not apply. Instead distributions by such Fund to shareholders of APS would constitute interest, whether or not such distributions exceeded the earnings and profits of the Fund, would be included in full in the income of the recipient and would be taxed as ordinary income.

If a Fund retains any net capital gain for a taxable year, the Fund may designate the retained amount as undistributed capital gains in a notice to shareholders who, if subject to U.S. federal income tax on long-term capital gains: (i) will be required to include in income for U.S. federal income tax purposes, as long-term capital gain, their proportionate shares of such undistributed amount; and (ii) will be entitled to credit their proportionate shares of the tax paid by the Fund on the undistributed amount against their U.S. federal income tax liabilities, if any, and to claim refunds to the extent the credit exceeds such liabilities.

Each Fund is required in certain circumstances to backup withhold on reportable payments, including dividends, capital gains distributions, and proceeds of sales or other dispositions of a Fund's shares paid to certain holders of the Fund's shares who do not furnish the Fund with their correct social security number or other taxpayer identification number and certain other certifications, or who are otherwise subject to backup withholding. Backup withholding is not an additional tax. Any amounts withheld from payments made to a shareholder may be refunded or credited against such shareholder's U.S. federal income tax liability, if any, provided that the required information is furnished to the IRS.

The foregoing is a general and abbreviated summary of the provisions of the Code and the Treasury regulations currently in effect as they generally affect the taxation of a Fund and its APS holders. As noted above, these provisions are subject to change by legislative, judicial or administrative action, and any such change may be retroactive. A further discussion of the U.S. federal income tax rules applicable to each Fund can be found in the Statement of Additional Information, which is incorporated by reference into this Proxy Statement/Prospectus. Shareholders are urged to consult their tax advisers regarding specific questions as to U.S. federal, foreign, state and local income or other taxes.

APPENDIX E

FINANCIAL HIGHLIGHTS

Acquired Fund. The following schedule presents financial highlights for one common share of the Fund outstanding throughout the periods indicated. Information for the six months ended May 31, 2008 has not been audited.

Selected data for a common share outstanding during the periods stated.

	6 months ended 5-31-08(1) (unaudited)	Year ended 11-30-07(1)	Year ended 11-30-06(1)	Year ended 11-30-05(1)	Year ended 11-30-04(1)
Net asset value Beginning of period/year (Common Shares)	\$14.740	\$15.800	\$15.150	\$15.040	\$15.000
Income (loss) from operations					
Net investment income	\$0.455	\$0.944	\$0.970	\$1.013	\$1.000
Net realized and unrealized gain (loss)	(0.676)	(1.049)	0.678	0.179	(0.400)
Distributions to preferred shareholders					
From net investment income	(0.151)	(0.307)	(0.270)	(0.177)	(0.000)
Total income (loss) from operations	\$(0.372)	\$(0.412)	\$1.378	\$1.015	\$0.600
Less distributions to common shareholders					
From net investment income	\$(0.318)	\$(0.648)	\$(0.728)	\$(0.905)	\$(1.000)
Total distributions to common shareholders	\$(0.318)	\$(0.648)	\$(0.728)	\$(0.905)	\$(1.000)
Net asset value End of period/year (Common shares)	\$14.050	\$14.740	\$15.800	\$15.150	\$15.000
Market value End of period/year (Common shares)	\$12.580	\$12.720	\$14.180	\$14.180	\$15.000
Total Investment Return on Net Asset Value(4)	(2.23)%⁽⁵⁾	(2.26)%	9.84%	6.98%	3.80%
Total Investment Return on Market Value(4)	1.44)%⁽⁵⁾	(6.02)%	5.32%	(1.25)%	5.70%

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	6 months ended 5-31-08(1) (unaudited)	Year ended 11-30-07(1)	Year ended 11-30-06(1)	Year ended 11-30-05(1)	Year ended 11-30-04(1)
Ratios/Supplemental Data					
Net assets applicable to common shares, end of period/year (000 s omitted)	\$59,830	\$62,757	\$67,252	\$64,501	\$63,911
Ratios (As a percentage of average net assets applicable to common shares):(5)					
Expenses excluding interest and fees	2.30%(9)	1.87%(11)	1.87%	1.86%	1.84%
Interest and fee expense(6)	0.44%(9)	0.75%	0.54%	0.42%	0.50%
Total expenses before custodian fee reduction	2.74%(9)	2.62%(11)	2.41%	2.28%	2.34%
Expenses after custodian fee reduction excluding interest and fees	2.27%(9)	1.86%(11)	1.86%	1.85%	1.83%
Net investment income	6.45%(9)	6.16%	6.33%	6.65%	7.09%
Portfolio Turnover	73%(10)	26%	33%	15%	4%
The ratios reported above are based on net assets applicable solely to common shares. The ratios based on net assets, including amounts related to preferred shares, are as follows:					
Ratios (As a percentage of average total net assets applicable to common shares and preferred shares):(5)					
Expenses excluding interest and fees	1.45%(9)	1.21%(11)	1.21%	1.20%	1.18%
Interest and fee expense(6)	0.28%(9)	0.48%	0.35%	0.27%	0.32%
Total expenses before custodian fee reduction	1.73%(9)	1.69%(11)	1.56%	1.47%	1.50%
Expenses after custodian fee reduction excluding interest and fees	1.43%(9)	1.20%(11)	1.20%	1.19%	1.18%
Net investment income	4.05%(9)	3.99%	4.10%	4.30%	4.58%
Senior Securities:					
Total preferred shares outstanding	1,420	1,420	1,420	1,420	1,420
Asset coverage per preferred share(7)	\$67,139	\$69,201	\$72,363	\$70,423	\$70,011
Involuntary liquidation preference per preferred share(8)	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000
Approximate market value per preferred share(8)	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000

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	Year ended 11-30-03(1)	Year ended 11-30-02(1)(2)	Year ended 11-30-01(1)	Year ended 11-30-00(1)	Year ended 11-30-99(1)(3)
Net asset value Beginning of year (Common shares)	\$14.730	\$14.340	\$13.070	\$11.770	\$15.000
Income (loss) from operations					
Net investment income	\$1.096	\$1.103	\$1.056	\$1.028	\$0.779
Net realized and unrealized gain (loss)	0.775	0.358	1.162	1.318	(3.180)
Distributions to preferred shareholders					
From net investment income	(0.076)	(0.118)	(0.243)	(0.338)	(0.200)
Total income (loss) from operations	\$1.795	\$1.343	\$1.975	\$2.008	\$(2.601)
Less distributions to common shareholders					
From net investment income	\$(0.995)	\$(0.953)	\$(0.705)	\$(0.708)	\$(0.502)
Total distributions to common shareholders	\$(0.995)	\$(0.953)	\$(0.705)	\$(0.708)	\$(0.502)
Preferred and Common shares offering costs charged to paid-in capital	\$	\$	\$	\$	\$(0.042)
Preferred Shares underwriting discounts	\$	\$	\$	\$	\$(0.085)
Net asset value End of year (Common shares)	\$15.530	\$14.730	\$14.340	\$13.070	\$11.770
Market value End of year (Common shares)	\$15.455	\$14.400	\$13.380	\$10.500	\$10.438
Total Investment Return on Net Asset Value(4)	12.65%	9.93%			
Total Investment Return on Market Value(4)	14.67%	15.18%	34.91%	7.20%	(27.62)%

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	Year ended 11-30-03(1)	Year ended 11-30-02(1)(2)	Year ended 11-30-01(1)	Year ended 11-30-00(1)	Year ended 11-30-99(1)(3)
Ratios/Supplemental Data					
Net assets applicable to common shares, end of year (000 shares omitted)	\$65,902	\$62,302	\$60,646	\$55,296	\$49,700
Ratios (As a percentage of average net assets applicable to common shares):(5)					
Expenses excluding interest and fees	1.83%	1.87%			
Interest and fee expense(6)	0.58%	0.69%			
Total expenses before custodian fee reduction	2.41%	2.56%	1.90%	1.99%	1.74%
Expenses after custodian fee reduction excluding interest and fees	1.82%	1.86%	1.82%	1.91%	1.68%
Net investment income	7.20%	7.61%	7.46%	8.59%	6.89%
Portfolio Turnover	15%	14%	24%	20%	10%

The ratios reported above are based on net assets applicable solely to common shares. The ratios based on net assets, including amounts related to preferred shares, are as follows:

Ratios (As a percentage of average total net assets applicable to common shares and preferred shares):(5)					
Expenses excluding interest and fees	1.18%	1.18%			
Interest and fee expense(6)	0.37%	0.44%			
Total expenses before custodian fee reduction	1.55%	1.62%	1.19%	1.16%	1.11%
Expenses after custodian fee reduction excluding interest and fees	1.18%	1.18%	1.14%	1.12%	1.07%
Net investment income	4.64%	4.82%	4.68%	5.05%	4.39%

Senior Securities:

Total preferred shares outstanding	1,420	1,420	1,420	1,420	1,420
Asset coverage per preferred share(7)	\$71,412	\$68,878	\$67,695	\$63,944	\$60,000
Involuntary liquidation preference per preferred share(8)	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000
Approximate market value per preferred share(8)	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000

- (1) Net investment income per share was computed using average common shares outstanding.
- (2) The Fund has adopted the provisions of the revised AICPA Audit and Accounting Guide for Investment Companies and began using the interest method to amortize premiums on fixed-income securities. The effect of this change for the year ended November 30, 2002 was to increase net investment income per share by \$0.002, decrease net realized and unrealized gains per share by \$0.002, increase the ratio of net investment income to average net assets applicable to common shares from 7.60% to 7.61%, and increase the ratio of net investment income to average total net assets from 4.81% to 4.82%. Per share data and ratios for the period prior to December 1, 2001 have not been restated to reflect this change in presentation.
- (3) For the period from the start of business, January 29, 1999, to November 30, 1999.
- (4) Returns are historical and are calculated by determining the percentage change in net asset value or market value with all distributions reinvested.

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- (5) Ratios do not reflect the effect of dividend payments to preferred shareholders.
- (4) The per share amount does not reflect the actual net realized and unrealized gain/loss for the period because of the timing of reinvested shares of the Fund and the amount of per share realized gains and losses at such time.
- (5) Returns are historical and are calculated by determining the percentage change in net asset value or market value with all distributions reinvested.
- (6) Interest and fee expense relates to the liability for floating rate notes issued in conjunction with inverse floater securities transactions (see Note 1H to the audited financial statements in the Fund's November 30, 2007 Annual Report).
- (7) Calculated by subtracting the Fund's total liabilities (not including the preferred shares) from the Fund's total assets, and dividing this number by the number of preferred shares outstanding.
- (8) Plus accumulated and unpaid dividends.
- (9) Annualized.
- (10) Not annualized.
- (11) The investment adviser was allocated a portion of the Fund's operating expenses (equal to less than 0.01% of average daily net assets for the year ended November 30, 2007). Absent this allocation, total return would be lower.

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National Fund. The following schedule presents financial highlights for one common share of the Fund outstanding throughout the periods indicated. Information for the six months ended March 31, 2008 has not been audited.

Selected data for a common share outstanding during the years stated.

	6 months ended				
	5-31-08(1)	Year ended	Year ended	Year ended	Year ended
	(unaudited)	11-30-07(1)	11-30-06(1)	11-30-05(1)	11-30-04(1)
Net asset value Beginning of period/year (Common Shares)	\$14.370	\$15.880	\$14.470	\$13.950	\$14.090
Income (loss) from operations					
Net investment income	\$0.572	\$1.076	\$1.100	\$1.165	\$1.268
Net realized and unrealized gain (loss)	(0.799)	(1.518)	1.444	0.611	(0.128)
Distributions to preferred shareholders					
From net investment income	(0.138)	(0.278)	(0.252)	(0.151)	(0.090)
Total income (loss) from operations	\$(0.365)	\$(0.720)	\$2.292	\$1.625	\$1.050
Less distributions to common shareholders					
From net investment income	\$(0.395)	\$(0.790)	\$(0.882)	\$(1.105)	\$(1.190)
Total distributions to common shareholders	\$(0.395)	\$(0.790)	\$(0.882)	\$(1.105)	\$(1.190)
Net asset value End of period/year (Common shares)	\$13.610	\$14.370	\$15.880	\$14.470	\$13.950
Market value End of period/year (Common shares)	\$14.060	\$13.300	\$16.010	\$14.960	\$16.150
Total Investment Return on Net Asset Value(4)	(2.51)% (9)	(4.62)%	16.33%	11.56%	7.28%
Total Investment Return on Market Value(4)	8.82% (9)	(12.44)%	13.43%	(0.38)%	12.54%

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	6 months ended				
	5-31-08(1)	Year ended	Year ended	Year ended	Year ended
	(unaudited)	11-30-07(1)	11-30-06(1)	11-30-05(1)	11-30-04(1)
Supplemental Data					
Assets applicable to common shares, end of period/year (000 shares omitted)	\$234,493	\$246,974	\$272,274	\$246,915	\$
As a percentage of average net assets applicable to common shares):(5)					
Expenses excluding interest and fees	1.80%(9)	1.71%(11)	1.76%	1.79%	
Interest and fee expense(6)	0.66%(9)	1.35%	1.46%	0.95%	
Total expenses before custodian fee reduction	2.46%(9)	3.06%(11)	3.22%	2.74%	
Expenses after custodian fee reduction excluding interest and fees	1.78%(9)	1.70%(11)	1.75%	1.78%	
Return on investment income	8.35%(9)	7.02%	7.27%	8.08%	
Asset Turnover	27%(10)	37%	41%	28%	
The ratios reported above are based on net assets applicable solely to common shares. The ratios based on net assets, including amounts related to preferred shares, are as follows:					
As a percentage of average total net assets applicable to common shares and preferred shares):(5)					
Expenses excluding interest and fees	1.16%(9)	1.14%(11)	1.17%	1.17%	
Interest and fee expense(6)	0.42%(9)	0.90%	0.97%	0.62%	
Total expenses before custodian fee reduction	1.58%(9)	2.04%(11)	2.14%	1.79%	
Expenses after custodian fee reduction excluding interest and fees	1.14%(9)	1.14%(11)	1.17%	1.16%	
Return on investment income	5.37%(9)	4.69%	4.83%	5.27%	
Securities:					
Total preferred shares outstanding	5,240	5,240	5,240	5,240	
Net coverage per preferred share(7)	\$69,756	\$72,138	\$76,963	\$72,128	
Voluntary liquidation preference per preferred share(8)	\$25,000	\$25,000	\$25,000	\$25,000	
Approximate market value per preferred share(8)	\$25,000	\$25,000	\$25,000	\$25,000	

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	Year ended 11-30-03(1)	Year ended 11-30-02(1)(2)	Year ended 11-30-01(1)	Year ended 11-30-00(1)	Year ended 11-30-99(1)(3)
Net asset value Beginning of year (Common shares)	\$13.020	\$12.930	\$11.950	\$11.720	\$15.000
Income (loss) from operations					
Net investment income	\$1.269	\$1.255	\$1.124	\$1.083	\$0.837
Net realized and unrealized gain (loss)	1.026	0.013	0.873	0.260	(3.246)
Distributions to preferred shareholders					
From net investment income	(0.095)	(0.148)	(0.240)	(0.328)	(0.197)
Total income (loss) from operations	\$2.200	\$1.120	\$1.757	\$1.015	\$(2.606)
Less distributions to common shareholders					
From net investment income	\$(1.130)	\$(1.030)	\$(0.777)	\$(0.785)	\$(0.550)
Total distributions to common shareholders	\$(1.130)	\$(1.030)	\$(0.777)	\$(0.785)	\$(0.550)
Preferred and Common shares offering costs charged to paid-in capital	\$	\$	\$	\$	\$(0.042)
Preferred Shares underwriting discounts	\$	\$	\$	\$	\$(0.082)
Net asset value End of year (Common shares)	\$14.090	\$13.020	\$12.930	\$11.950	\$11.720
Market value End of year (Common shares)	\$15.550	\$14.050	\$13.500	\$11.125	\$11.688
Total Investment Return on Net Asset Value(4)	17.35%	8.68%			
Total Investment Return on Market Value(4)	20.02%	12.32%	28.95%	2.05%	(18.74)%

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	Year ended 11-30-03(1)	Year ended 11-30-02(1)(2)	Year ended 11-30-01(1)	Year ended 11-30-00(1)	Year ended 11-30-99(1)
Supplemental Data					
Assets applicable to common shares, end of year (000 shares omitted)	\$236,560	\$216,275	\$212,315	\$194,676	\$
As a percentage of average net assets applicable to common shares):(5)					
Expenses excluding interest and fees	1.80%	1.89%			
Interest and fee expense(6)	0.71%	0.82%			
Total expenses before custodian fee reduction	2.51%	2.71%	1.88%	1.95%	1.88%
Expenses after custodian fee reduction excluding interest and fees	1.80%	1.88%	1.88%	1.91%	1.88%
Ratio of net investment income to average net assets	9.37%	9.69%	8.79%	9.47%	7.96%
Asset Turnover	20%	14%	60%	66%	

The ratios reported above are based on net assets applicable solely to common shares. The ratios based on net assets, including amounts related to preferred shares, are as follows:

As a percentage of average total net assets applicable to common shares and preferred shares):(5)					
Expenses excluding interest and fees	1.14%	1.17%			
Interest and fee expense(6)	0.45%	0.51%			
Total expenses before custodian fee reduction	1.59%	1.68%	1.15%	1.15%	1.15%
Expenses after custodian fee reduction excluding interest and fees	1.14%	1.17%	1.15%	1.12%	1.15%
Ratio of net investment income to average total net assets	5.93%	6.01%	5.40%	5.56%	4.88%

Securities:

Total preferred shares outstanding	5,240	5,240	5,240	5,240	
Net asset coverage per preferred share(7)	\$70,154	\$66,291	\$65,548	\$62,155	\$
Voluntary liquidation preference per preferred share(8)	\$25,000	\$25,000	\$25,000	\$25,000	\$
Approximate market value per preferred share(8)	\$25,000	\$25,000	\$25,000	\$25,000	\$

- (1) Net investment income per share was computed using average common shares outstanding.
- (2) The Fund has adopted the provisions of the revised AICPA Audit and Accounting Guide for Investment Companies and began using the interest method to amortize premiums on fixed-income securities. The effect of this change for the year ended November 30, 2002 was to increase net investment income per share by \$0.011, decrease net realized and unrealized gains per share by \$0.011, increase the ratio of net investment income to average net assets applicable to common shares from 9.61% to 9.69%, and increase the ratio of net investment income to average total net assets from 5.96% to 6.01%. Per share data and ratios for the period prior to December 1, 2001 have not been restated to reflect this change in presentation.
- (3) For the period from the start of business, January 29, 1999, to November 30, 1999.
- (4) Returns are historical and are calculated by determining the percentage change in net asset value or market value with all distributions reinvested.
- (5) Ratios do not reflect the effect of dividend payments to preferred shareholders.

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- (4) The per share amount does not reflect the actual net realized and unrealized gain/loss for the period because of the timing of reinvested shares of the Fund and the amount of per share realized gains and losses at such time.
- (5) Returns are historical and are calculated by determining the percentage change in net asset value or market value with all distributions reinvested.
- (6) Interest and fee expense relates to the liability for floating rate notes issued in conjunction with inverse floater securities transactions (see Note 1H to the audited financial statements in the Fund's November 30, 2007 Annual Report).
- (7) Calculated by subtracting the Fund's total liabilities (not including the preferred shares) from the Fund's total assets, and dividing this number by the number of preferred shares outstanding.
- (8) Plus accumulated and unpaid dividends.
- (9) Annualized.
- (10) Not annualized.
- (11) The investment adviser was allocated a portion of the Fund's operating expenses (equal to less than 0.005% of average daily net assets for the year ended November 30, 2007). Absent this allocation, total return would be lower.

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**STATEMENT OF ADDITIONAL INFORMATION
RELATING TO THE ACQUISITION OF THE ASSETS AND LIABILITIES OF**

**EATON VANCE NATIONAL MUNICIPAL INCOME TRUST
(the Acquired Fund)**

BY AND IN EXCHANGE FOR SHARES OF

**EATON VANCE MUNICIPAL INCOME TRUST
(the Acquiring Fund, together with the Acquired Fund, (the Funds, and each a Fund))**

January [], 2009

This Statement of Additional Information is available to the shareholders of Eaton Vance National Municipal Income Trust in connection with the proposed reorganization (the Reorganization) whereby the Acquiring Fund will acquire substantially all of the assets and assume substantially all of the liabilities of the Acquired Fund in exchange for an equal aggregate value of newly-issued common shares of beneficial interest with \$0.01 par value (Acquiring Fund Common Shares) and a newly-issued Series C of Auction Preferred Shares with \$0.01 par value and a liquidation preference of \$25,000 (Acquiring Fund APS) to the Acquired Fund. The Acquired Fund will: (i) distribute Acquiring Fund Common Shares to its common shareholders and Acquiring Fund APS to its preferred shareholders; (ii) terminate its registration under the Investment Company Act of 1940, as amended (the 1940 Act); and (iii) dissolve under applicable state law. Unless otherwise defined herein, capitalized terms have the meanings given to them in the Proxy Statement/Prospectus dated January [], 2008 relating to the proposed Reorganization of the Acquired Fund into the Acquiring Fund (the Proxy Statement/Prospectus).

This Statement of Additional Information is not a prospectus and should be read in conjunction with the Proxy Statement/Prospectus.

A copy of the Proxy Statement/Prospectus may be obtained, without charge, by writing to Eaton Vance at 225 State Street, Boston, Massachusetts 02109. You may also obtain a copy of the Proxy Statement/Prospectus on the SEC's web site at (<http://www.sec.gov>).

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Capitalized terms used in this SAI and not otherwise defined have the meanings given them in the Proxy/Statement Prospectus.

ADDITIONAL INVESTMENT INFORMATION AND RESTRICTIONS

Municipal Obligations. Municipal obligations are issued to obtain funds for various public and private purposes. Municipal obligations include long-term obligations, which are often called municipal bonds, as well as tax-exempt commercial paper, project notes and municipal notes such as tax, revenue and bond anticipation notes of short maturity, generally less than three years. Market rates of interest available with respect to municipal obligations may be lower than those available with respect to taxable securities, although such differences may be partially or wholly offset by the effects of federal income tax on income derived from such taxable securities. While most municipal bonds pay a fixed rate of interest semi-annually in cash, some bonds pay no periodic cash interest but instead make a single payment at maturity representing both principal and interest. Municipal obligations may be issued or subsequently offered with interest coupons materially greater or less than those then prevailing, with price adjustments reflecting such deviation.

In general, there are three categories of municipal obligations the interest on which is exempt from federal income tax and is not a tax preference item for purposes of the alternative minimum tax (AMT): (i) certain public purpose obligations (whenever issued), which include obligations issued directly by state and local governments or their agencies to fulfill essential governmental functions; (ii) certain obligations issued before August 8, 1986 for the benefit of non-governmental persons or entities; and (iii) certain private activity bonds issued after August 7, 1986 which include qualified Section 501(c)(3) bonds or refundings of certain obligations included in the second category. In assessing the federal income tax treatment of interest on any municipal obligation, each Fund will rely on an opinion of the issuer's counsel (when available) and will not undertake any independent verification of the basis for the opinion.

Interest on certain private activity bonds issued after August 7, 1986 is exempt from regular federal income tax, but is treated as a tax preference item that could subject the recipient to or increase the recipient's liability for the AMT. For corporate shareholders, a Fund's distributions derived from interest on all municipal obligations (whenever issued) is included in adjusted current earnings for purposes of the AMT as applied to corporations (to the extent not already included in alternative minimum taxable income as income attributable to private activity bonds).

The two principal classifications of municipal bonds are general obligation and revenue bonds. Issuers of general obligation bonds include states, counties, cities, towns and regional districts. The proceeds of these obligations are used to fund a wide range of public projects including the construction or improvement of schools, highways and roads, water and sewer systems and a variety of other public purposes. The basic security of general obligation bonds is the issuer's pledge of its faith, credit, and taxing power for the payment of principal and interest. The taxes that can be levied for the payment of debt service may be limited or unlimited as to rate and amount.

Revenue bonds are generally secured by the net revenues derived from a particular facility or group of facilities or, in some cases, from the proceeds of a special excise or other specific revenue source. Revenue bonds have been issued to fund a wide variety of capital projects including: electric, gas, water, sewer and solid waste disposal systems; highways, bridges and tunnels; port, airport and parking facilities; transportation systems; housing facilities, colleges and universities and hospitals. Although the principal security behind these bonds varies widely, many provide additional security in the form of a debt service reserve fund whose monies may be used to make principal and interest payments on the issuer's obligations. Housing finance authorities have a wide range of security including partially or fully insured, rent subsidized and/or collateralized mortgages, and/or the net revenues from housing or other public projects. In addition to a debt service reserve fund, some authorities provide further security in the form of a state's ability (without legal obligation) to make up deficiencies in the debt service reserve fund. Lease rental revenue bonds issued by a state or local authority for capital projects are normally secured by annual lease rental payments from the state or locality to the authority sufficient to cover debt service on the authority's obligations. Such payments are usually subject to annual appropriations by the state or locality. Industrial development and pollution control bonds, although nominally issued by municipal authorities, are in most cases revenue bonds and are generally not secured by the taxing power of the municipality, but are usually secured by the revenues derived by the authority from payments of the industrial user or users. The Funds may on occasion acquire revenue bonds which carry warrants or similar rights covering equity securities. Such warrants or rights may be held indefinitely, but if exercised, each Fund anticipates that it would, under normal circumstances, dispose of any equity securities so acquired within a reasonable period of time.

The obligations of any person or entity to pay the principal of and interest on a municipal obligation are subject to the provisions of bankruptcy, insolvency and other laws affecting the rights and remedies of creditors, such as the Federal Bankruptcy Act, and laws, if any, which may be enacted by Congress or state legislatures extending the time for payment of principal or interest, or both, or

imposing other constraints upon enforcement of such obligations. Certain bond structures may be subject to the risk that a taxing authority may issue an adverse ruling regarding tax-exempt status. There is also the possibility that as a result of adverse economic conditions (including unforeseen financial events, natural disasters and other conditions that may affect an issuer's ability to pay its obligations), litigation or other conditions, the power or ability of any person or entity to pay when due principal of and interest on a municipal obligation may be materially affected or interest and principal previously paid may be required to be refunded. There have been recent instances of defaults and bankruptcies involving municipal obligations which were not foreseen by the financial and investment communities. Each Fund will take whatever action it considers appropriate in the event of anticipated financial difficulties, default or bankruptcy of either the issuer of any municipal obligation or of the underlying source of funds for debt service. Such action may include retaining the services of various persons or firms (including affiliates of the investment adviser) to evaluate or protect any real estate, facilities or other assets securing any such obligation or acquired by a Fund as a result of any such event, and a Fund may also manage (or engage other persons to manage) or otherwise deal with any real estate, facilities or other assets so acquired. Each Fund anticipates that real estate consulting and management services may be required with respect to properties securing various municipal obligations in its portfolio or subsequently acquired by each Fund. Each Fund will incur additional expenditures in taking protective action with respect to portfolio obligations in (or anticipated to be in) default and assets securing such obligations.

The yields on municipal obligations are dependent on a variety of factors, including purposes of issue and source of funds for repayment, general money market conditions, general conditions of the municipal bond market, size of a particular offering, maturity of the obligation and rating of the issue. The ratings of Moody's, S&P and Fitch represent their opinions as to the quality of the municipal obligations which they undertake to rate, and in the case of insurers, other factors including the claims-paying ability of such insurer. It should be emphasized, however, that ratings are based on judgment and are not absolute standards of quality. Consequently, municipal obligations with the same maturity, coupon and rating may have different yields while obligations of the same maturity and coupon with different ratings may have the same yield. In addition, the market price of municipal obligations will normally fluctuate with changes in interest rates, and therefore the net asset value of a Fund will be affected by such changes.

Concentration. Each Fund may invest a total of up to 25% of its net assets in the obligations of Puerto Rico, the U.S. Virgin Islands and Guam. Accordingly, a Fund may be adversely affected by local political and economic conditions and developments within Puerto Rico, the U.S. Virgin Islands and Guam affecting the issuers of such obligations. Information about some of these conditions and developments is included in Appendix B.

Sector Concentration. A Fund may invest 25% or more of its total assets in municipal obligations in certain economic sectors. There could be economic, business or political developments which might affect all municipal obligations in a particular economic sector. In particular, investments in the industrial revenue bonds listed above might involve (without limitation) the following risks.

Hospital bond ratings are often based on feasibility studies which contain projections of expenses, revenues and occupancy levels. Among the influences affecting a hospital's gross receipts and net income available to service its debt are demand for hospital services, the ability of the hospital to provide the services required, management capabilities, economic developments in the service area, efforts by insurers and government agencies to limit rates and expenses, confidence in the hospital, service area economic developments, competition, availability and expense of malpractice insurance, Medicaid and Medicare funding and possible federal legislation limiting the rates of increase of hospital charges.

Electric utilities face problems in financing large construction programs in an inflationary period, cost increases and delay occasioned by safety and environmental considerations (particularly with respect to nuclear facilities), difficulty in obtaining fuel at reasonable prices and in achieving timely and adequate rate relief from regulatory commissions, effects of energy conservation and limitations on the capacity of the capital market to absorb utility debt.

Industrial development bonds (IDBs) are normally secured only by the revenues from the project and not by state or local government tax payments, they are subject to a wide variety of risks, many of which relate to the nature of the specific project. Generally, IDBs are sensitive to the risk of a slowdown in the economy.

The Funds may invest in tobacco bonds. Standard tobacco bonds are secured by a single source of revenue, installment payments made by tobacco companies stemming from the settlement of lawsuits brought against them by various states (the Master Settlement Agreement). Appropriation backed tobacco bonds are supported by the same Master Settlement Agreement payments as standard tobacco bonds, but are also subject to a state's pledge that the governor will request an appropriation of funds in its annual budget for debt service if Master Settlement Agreement revenues are insufficient. These payments are not generally fixed but rather are tied to the volume of the company's U.S. sales of cigarettes. Tobacco bonds are subject to several risks, including the risk that cigarette

consumption declines or that a tobacco company defaults on its obligation to make payments to the state. Escrowed tobacco bonds no longer rely on Master Settlement Agreement revenue as security, and are backed by a variety of government securities.

In addition, the airline industry continues to evolve. A number of major carriers have either emerged from bankruptcy or are currently in bankruptcy. Recent problems include, but are not limited to, increased competition, labor and union conflicts, greater security costs and fluctuating jet fuel prices. Court rulings have given some guidance to the viability of collateral structures. However, there is still uncertainty as to the strength of collateral pledged under various security systems.

Certain tax-exempt bonds issued by Native American tribes may be subject to the risk that a taxing authority would determine that the income from such bonds is not eligible for tax-exempt status. In the event of any final adverse ruling to this effect, holders of such bonds may be subject to penalties.

Insured Obligations. Each Fund may purchase municipal obligations that are insured as to their scheduled payment of principal and interest. Such insurance generally will be obtained from insurers having a claims-paying ability rated at least Baa by Moody's or BBB by S&P or Fitch. Although the insurance feature may reduce some financial risks, the premiums for insurance and the higher market price sometimes paid for insured obligations may reduce a Fund's current yield. In addition, changes in the claims-paying ability or other ratings of an insurer may affect the value of an insured obligation, and in some cases may even cause the value of a security to be less than a comparable uninsured obligation. See Appendix A for a description of the claims-paying ability ratings of S&P and Moody's. The insurance does not guarantee the market value of the insured obligation or the net asset value of a Fund's shares.

Municipal Leases. Each Fund may invest in municipal leases and participations therein, which arrangements frequently involve special risks. Municipal leases are obligations in the form of a lease, installment purchase or conditional sales contract (which typically provide for the title to the leased asset to pass to the governmental issuer) which is issued by state or local governments to acquire equipment and facilities. Interest income from such obligations is generally exempt from local and state taxes in the state of issuance. Participations in such leases are undivided interests in a portion of the total obligation. Participations entitle their holders to receive a *pro rata* share of all payments under the lease. The obligation of the issuer to meet its obligations under such leases is often subject to the appropriation by the appropriate legislative body, on an annual or other basis, of funds for the payment of the obligations. Investments in municipal leases are thus subject to the risk that the legislative body will not make the necessary appropriation and the issuer will not otherwise be willing or able to meet its obligation.

Certain municipal lease obligations owned by a Fund may be deemed illiquid for the purpose of a Fund's limitation on investments in illiquid securities, unless determined by the investment adviser, pursuant to guidelines adopted by the Trustees, to be liquid securities for the purpose of such limitation. In determining the liquidity of municipal lease obligations, the investment adviser will consider the factors it believes are relevant to the marketability of the obligation, to the extent that information regarding such factor is available to the investment adviser and pertinent to the liquidity determination, which may include: (1) the willingness of dealers to bid for the obligation; (2) the number of dealers willing to purchase or sell the obligation and the number of other potential buyers; (3) the frequency of trades and quotes for the obligation; (4) the nature of the marketplace trades, including the time needed to dispose of the obligation, the method of soliciting offers, and the mechanics of transfer; (5) the willingness of the governmental issuer to continue to appropriate funds for the payment of the obligation; (6) how likely or remote an event of nonappropriation may be, which depends in varying degrees on a variety of factors, including those relating to the general creditworthiness of the governmental issuer, its dependence on its continuing access to the credit markets, and the importance to the issuer of the equipment, property or facility covered by the lease or contract; (7) the rating, if any, assigned to the obligation and/or the governmental issuer by any nationally recognized statistical rating organization; (8) whether the obligation is insured as to the timely payment of principal and interest; and (9) all factors and information unique to the obligation in determining its liquidity. If the municipal lease obligation is insured as to the timely payment of principal and interest, or if the obligation has an investment grade rating (rated BBB or Baa or higher), the investment adviser will consider the obligation to be liquid. In the event a Fund acquires an unrated municipal lease obligation, the investment adviser will be responsible for determining the credit quality of such obligation on an ongoing basis, including an assessment of the likelihood that the lease may or may not be cancelled.

Zero Coupon Bonds. Zero coupon bonds are debt obligations which do not require the periodic payment of interest and are issued at a significant discount from face value. The discount approximates the total amount of interest the bonds will accrue and compound over the period until maturity at a rate of interest reflecting the market rate of the security at the time of issuance. A Fund is required to accrue income from zero coupon bonds on a current basis, even though it does not receive that income currently in cash and a Fund is required to distribute its income for each taxable year. Thus, the Funds may have to sell other investments to obtain cash needed to make income distributions.

When-Issued Securities. New issues of municipal obligations are sometimes offered on a when-issued basis, that is, delivery and payment for the securities normally take place within a specified number of days after the date of a Fund's commitment and are subject to certain conditions such as the issuance of satisfactory legal opinions. The Fund may also purchase securities on a when-issued basis pursuant to refunding contracts in connection with the refinancing of an issuer's outstanding indebtedness. Refunding contracts generally require the issuer to sell and the Fund to buy such securities on a settlement date that could be several months or several years in the future. A Fund may also purchase instruments that give the Fund the option to purchase a municipal obligation when and if issued.

A Fund will make commitments to purchase when-issued securities only with the intention of actually acquiring the securities, but may sell such securities before the settlement date if it is deemed advisable as a matter of investment strategy. The payment obligation and the interest rate that will be received on the securities are fixed at the time the Fund enters into the purchase commitment. When the Fund commits to purchase a security on a when-issued basis it records the transaction and reflects the value of the security in determining its net asset value. Securities purchased on a when-issued basis and the securities held by the Fund are subject to changes in value based upon the perception of the creditworthiness of the issuer and changes in the level of interest rates (*i.e.* appreciation when interest rates decline and depreciation when interest rates rise). Therefore, to the extent that the Fund remains substantially fully invested at the same time that it has purchased securities on a when-issued basis, there will be greater fluctuations in the Fund's net asset value than if it set aside cash to pay for when-issued securities.

Redemption, Demand and Put Features and Put Options. Issuers of municipal obligations reserve the right to call (redeem) the bond. If an issuer redeems securities held by a Fund during a time of declining interest rates, the Fund may not be able to reinvest the proceeds in securities providing the same investment return as the securities redeemed. Also, some bonds may have put or demand features that allow early redemption by the bondholder. Longer term fixed-rate bonds may give the holder a right to request redemption at certain times (often annually after the lapse of an intermediate term). These bonds are more defensive than conventional long term bonds (protecting to some degree against a rise in interest rates) while providing greater opportunity than comparable intermediate term bonds, because a Fund may retain the bond if interest rates decline.

Liquidity and Protective Put Options. Each Fund may enter into a separate agreement with the seller of the security or some other person granting the Fund the right to put the security to the seller thereof or the other person at an agreed upon price. Each Fund intends to limit this type of transaction to institutions (such as banks or securities dealers) which the investment adviser believes present minimal credit risks and would engage in this type of transaction to facilitate portfolio liquidity or (if the seller so agrees) to hedge against rising interest rates. There is no assurance that this kind of put option will be available to a Fund or that selling institutions will be willing to permit a Fund to exercise a put to hedge against rising interest rates. A Fund does not expect to assign any value to any separate put option which may be acquired to facilitate portfolio liquidity, inasmuch as the value (if any) of the put will be reflected in the value assigned to the associated security; any put acquired for hedging purposes would be valued in good faith under methods or procedures established by the Trustees after consideration of all relevant factors, including its expiration date, the price volatility of the associated security, the difference between the market price of the associated security and the exercise price of the put, the creditworthiness of the issuer of the put and the market prices of comparable put options. Interest income generated by certain bonds having put or demand features may be taxable.

Variable Rate Obligations. A Fund may purchase variable rate obligations. Variable rate instruments provide for adjustments in the interest rate at specified intervals (weekly, monthly, semi-annually, et