EATON VANCE MUNICIPAL INCOME TRUST
Form N-2
March 23, 2009

As filed with the Securities and Exchange Commission on March 23, 2009
1933 Act File No.
1940 Act File No. 811-09141

U.S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM N-2

REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933 x

PRE-EFFECTIVE AMENDMENT NO. ¨
POST-EFFECTIVE AMENDMENT NO. 1 x
and/or
REGISTRATION STATEMENT UNDER THE
INVESTMENT COMPANY ACT OF 1940 x
AMENDMENT NO. 4 x
(Check appropriate box or boxes)

EATON VANCE MUNICIPAL INCOME TRUST
(Exact Name of Registrant as Specified in Charter)

The Eaton Vance Building, 255 State Street, Boston, Massachusetts 02109
(Address of Principal Executive Offices) (Zip Code)

Registrant s Telephone Number, including Area Code: (617) 482-8260

FREDERICK S. MARIUS
The Eaton Vance Building, 255 State Street, Boston, Massachusetts 02109
(Name and Address of Agent for Service)

APPROXIMATE DATE OF PROPOSED PUBLIC OFFERING:
As soon as practicable after the effective date of this Registration Statement

If any of the securities being registered on this Form will be offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933, other than securities offered in connection with a dividend reinvestment plan, check the following box. x

It is proposed that this filing will become effective (check appropriate box):

x when declared effective pursuant to Section 8(c)

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Title of Securities Being Registered	Amount Being Registered	Proposed Maximum Offering Price per Unit	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
Common Shares of Beneficial Interest	110,865	$9.02	$1,000,002	$55.80

(1) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(c) under the Secu- rities Act of 1933 based on the average of the high and low sales prices of the common shares of beneficial interest on March 18, 2009 as reported on the New York Stock Exchange.

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 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 dates as the commission, acting pursuant to said Section 8(a), may determine.

EATON VANCE MUNICIPAL INCOME TRUST (the Registrant)

CONTENTS OF REGISTRATION STATEMENT ON FORM N-2

This Registration Statement contains the following papers and documents:

Cover Sheet

Contents of Registration Statement

Part A Prospectus of Eaton Vance Municipal Income Trust

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

Part C Other Information

Signature Page

Exhibits

The information in this Prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This Prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

PRELIMINARY PROSPECTUS SUBJECT TO COMPLETION March [ ],

[EATON VANCE LOGO] **Shares**

Eaton Vance Municipal Income Trust

Common Shares

Investment Objectives and Policies. Eaton Vance Municipal Income Trust (the Trust) is a diversified, closed-end management investment company. The Trust's investment objective is to provide current income exempt from regular federal income tax. The Trust pursues its objective by investing primarily in investment grade municipal securities. The Trust may also invest a portion of its assets in higher risk, higher yielding municipal securities of lesser quality. The Trust's net asset value and distribution rate will vary, and may be affected by several factors, including changes in interest rates and the credit quality of municipal issuers. Fluctuations in net asset value may be magnified as a result of the Trust's use of leverage, which may be a speculative investment technique. An investment in the Trust may not be appropriate for all investors, particularly those subject to the federal alternative minimum tax. Closed-end fund shares often trade at a discount to their net asset value. There is no assurance that the Trust will achieve its investment objective.

Investment Adviser. The Trust s investment adviser is Eaton Vance Management (Eaton Vance or the Adviser). As of January 31, 2009, Eaton Vance and its affiliates managed approximately $121.9 billion of assets.

The Offering. This prospectus applies to [ ] shares of beneficial interest (the "Common Shares") of the Trust which may be issued and sold from time to time by the Trust (the "Offering") through Eaton Vance Distributors (EVD), as distributor and principal underwriter, through broker-dealers who have entered into selected dealer agreements with EVD. See "Plan of Distribution." The Common Shares will be sold at market prices, which shall be determined with reference to trades on the New York Stock Exchange (NYSE), subject to a minimum price to be established each day by the Trust. The minimum price on any day will not be less than the current net asset value ("NAV") per Common Share plus the per share amount of the sales commission to be paid to EVD. The Trust will compensate EVD with respect to sales of the Common Shares at a fixed commission rate of up to 4.00% of the gross sales price per share of Common Shares sold. EVD will compensate broker-dealers participating in the offering at a fixed rate of up to 3.20% of the gross sales price per share of Common Shares sold by that broker-dealer. EVD may from time to time change the dealer re-allowance. In all cases, the Trust will receive as net proceeds per Common Share sold an amount at least equal to the NAV per Common Share. As of February 27, 2009, the last reported sales price of a Common Share of the Trust on the NYSE was $9.75.

Portfolio Contents. Under normal market conditions, the Trust will invest at least 80% of its total assets in debt obligations issued by or on behalf of states, territories and possessions of the United States, and the District of Columbia and their political subdivisions, agencies or instrumentalities, the interest on which is exempt from regular federal income tax ("municipal obligations").

(continued on inside cover page)

The shares of closed-end investment companies often trade at a discount from their net asset value.

Before buying any common shares you should read the discussion of the material risks of investing in the Trust in Investment objectives, policies and risks beginning on page [ ] of this prospectus. Certain of the risks are summarized in Prospectus summary Special Risk Considerations beginning on page [ ] of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

(continued from previous page)

At least 65% of the Trust's total assets normally will 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 Standard & Poor's Ratings Group ("S&P") or by Fitch IBCA ("Fitch")), or, if unrated, determined by Eaton Vance to be of at least investment grade quality. From time to time, the Trust may hold a significant number of municipal obligations not rated by a nationally recognized statistical rating organization ("Rating Agency"). When the Trust invests in unrated municipal obligations it may be more dependent on Eaton Vance's research capabilities than when it invests in rated municipal obligations.

The Trust may invest up to 35% of its total assets in municipal obligations rated below investment grade (but no more than 30% of total assets may be rated lower than B by all Rating Agencies rating the obligation) and unrated municipal obligations considered to be of comparable quality by Eaton Vance. Investment in municipal obligations of below investment grade quality involves special risks as compared with investment in higher grade municipal obligations. These risks include greater sensitivity to a general economic downturn, greater market price volatility and less secondary market trading. Securities rated below investment grade are commonly known as "junk bonds." Such securities are regarded, on balance, as predominantly speculative with respect to the issuer's ability to pay interest and repay principal owed.

The Trust may invest to a significant extent in residual interest bonds, also known as inverse floating rate securities or inverse floaters. Compared to fixed rate municipal bonds, the value of residual interest bonds will fluctuate to a greater extent in response to changes in prevailing long-term interest rates. Moreover, the income earned on such bonds will fluctuate in response to changes in prevailing short-term interest rates. Thus, when residual interest bonds are held by the Trust, an increase in short- or long-term market interest rates will adversely affect the income received from such bonds or the net asset value of Shares. The Trust is not limited with respect to its investment in residual interest bonds. To the extent the Trust has preferred shares outstanding, an increase in short-term rates would also result in an increased cost of leverage, which would adversely affect the Trust income available for distribution. Also, the Trust may enter into shortfall and forbearance agreements with respect to such bonds, as further explained below.

The Trust 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, to seek to hedge against changes in interest rates, as a substitute for the purchase of securities or for other risk management purposes.

Interest income from certain types of municipal obligations may be a tax preference item for purposes of the federal alternative minimum tax (the "AMT") for individual investors. Distributions to corporate investors of certain interest income may also be indirectly subject to the AMT. The Trust may not be suitable for investors subject to the AMT.

Investment Rationale. Eaton Vance seeks to find municipal obligations exhibiting relative value as compared to other opportunities in the municipal marketplace. Eaton Vance s team of research analysts, traders and portfolio managers are devoted exclusively to analyzing municipal securities. The team s goal is to find municipal bonds that are attractively priced in relation to other available opportunities due to differing dynamics in individual sectors of the municipal bond market, municipal bond supply, and the structure of individual bonds, especially in regard to maturities, coupons, and call dates. Eaton Vance views research capability as being key to identifying trends that impact the yield-spread relationship among bonds.

Exchange listing. As of December 31, 2008, the Trust had 17,310,465 Common Shares outstanding, which are traded on the NYSE under the symbol EVN. As of February 27, 2009, the last reported sales price of a Common Share of the Trust on the NYSE was $9.75. Any new Common Shares offered and sold pursuant to this Registration Statement will also be listed on the NYSE and trade under this symbol.

On December 31, 2008, the Trust had outstanding 2,000 Series A and 2,000 Series B Auction Preferred Shares (APS), with a liquidation preference per share of $25,000 plus the amount of any accumulated but unpaid dividends. As of December 31, 2008, the Trust had no outstanding borrowings. The Adviser anticipates that the use of leverage will result in higher income to Common Shareholders over time. Use of financial leverage creates an opportunity for increased income but, at the same time, creates special risks. There can be no assurance that a leveraging strategy will be successful. The fee paid to Eaton Vance will be calculated on the basis of the Trust s gross assets, including proceeds from the issuance of preferred shares and/or borrowings and leverage created by residual interest bonds, so the fees will be higher when leverage is utilized. In this regard, holders of debt or preferred securities do not bear the investment advisory fee. Rather, Common Shareholders bear the portion of the investment advisory fee attributable to the assets purchased with the proceeds, which means that Common Shareholders effectively bear the entire advisory fee. **See Investment objectives, policies and risks Use of Leverage and Related Risks at page [ ] and Description of capital structure at page [ ].]**

This Prospectus sets forth concisely information you should know before investing in the Trust. Please read and retain this Prospectus for future reference. A Statement of Additional Information dated March __, 2009 has been filed with the Securities and Exchange

Commission (the SEC) and can be obtained without charge by calling 1-800-225-6265 or by writing to the Trust. A table of contents to the Statement of Additional Information is located at page [ ] of this Prospectus. This Prospectus incorporates by reference the entire Statement of Additional Information. The Statement of Additional Information is available along with other Trust-related materials: at the SEC s public reference room in Washington, DC (call 1-202-942-8090 for information on the operation of the reference room); the EDGAR database on the SEC s internet site *(http://www.sec.gov)*; upon payment of copying fees by writing to the SEC s public reference section, Washington, DC 20549-0102; or by electronic mail at *publicinfo@sec.gov.* The Trust s address is Two International Place, Boston, Massachusetts 02110 and its telephone number is 1-800-225-6265.

The Trust s Common Shares do not represent a deposit or obligation of, and are not guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.

You should rely only on the information contained or incorporated by reference in this Prospectus. The Trust has not authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. The Trust is not making an offer of these securities in any state where the offer is not permitted. The Trust will notify shareholders promptly of any material change to the Prospectus during the period the Trust is required to deliver the Prospectus. The Trust s business, financial condition and results of operations may have changed since the date of this prospectus.

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Prospectus summary

This is only a summary. You should review the more detailed information contained in this Prospectus and in the Statement of Additional Information.

THE FUND

Eaton Vance Municipal Income Trust (the Trust) is a diversified, closed-end management investment company. The Trust's investment objective is to provide current income exempt from regular federal income tax. The Trust pursues its objective by investing primarily in investment grade municipal securities. The Trust may also invest a portion of its assets in higher risk, higher yielding municipal securities of lesser quality.

THE OFFERING

This prospectus applies to [ ] shares of beneficial interest (the "Common Shares") of the Trust which may be issued and sold from time to time by the Trust (the "Offering") through Eaton Vance Distributors, Inc. (EVD), as distributor and principal underwriter, through broker-dealers who have entered into selected dealer agreements with EVD. See "Plan of Distribution." The Common Shares will be sold at market prices, which shall be determined with reference to trades on the New York Stock Exchange (NYSE), subject to a minimum price to be established each day by the Trust. The minimum price on any day will not be less than the current net asset value ("NAV") per Common Share plus the per share amount of the sales commission to be paid to EVD. The Trust and EVD will suspend the sale of Common Shares if the per share price is less than the minimum price. The Trust will compensate EVD with respect to sales of the Common Shares at a fixed commission rate of up to 4.00% of the gross sales price per share of Common Shares sold. EVD will compensate broker-dealers participating in the offering at a fixed rate of up to 3.20% of the gross sales price per share of Common Shares sold by that broker-dealer. EVD may from time to time change the dealer re-allowance. In all cases, the Trust will receive as net proceeds per Common Share sold an amount at least equal to the NAV per Common Share. As of February 27, 2009 the last reported sales price of a Common Share of the Trust on the NYSE was $9.75.

INVESTMENT OBJECTIVES AND POLICIES

Investment objective

The Trust's investment objective is to provide current income exempt from regular federal income tax. This income will be earned by investing primarily in investment grade municipal obligations. Securities will be purchased and sold in an effort to maintain a competitive yield and to enhance return based upon the relative value of the securities available in the marketplace. Investments are based on Eaton Vance's research and ongoing credit analysis, the underlying materials for which are generally not available to individual investors.

Investment rationale

Eaton Vance seeks municipal obligations of high quality that have been undervalued in the marketplace. Eaton Vance's research specialists examine credit histories, revenue sources, total debt histories, capital structures and other data. This research capability is important because many obligations in which the Trust will invest will not be rated or listed on a national securities exchange, and the amount of public information available about such securities will be limited. The Trust emphasizes the research that is critical to discovering value while seeking to avoid undue credit risk. The Trust attempts to enhance performance opportunities by seeking to remain fully invested.

Portfolio parameters

During normal market conditions, substantially all of the Trust's total assets (at least 80%) will be invested in debt obligations issued by or on behalf of states, territories and possessions of the United States, and the District of Columbia and their political subdivisions, agencies or instrumentalities, the interest on which is exempt from regular federal income tax ("municipal obligations"). At least 65% of the Trust'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 Standard & Poor's Ratings Group ("S&P") or by Fitch IBCA ("Fitch")), or, if unrated, determined by Eaton Vance to be of at least investment grade quality. From time to time, the Trust may hold a significant amount of municipal obligations not rated by a nationally recognized statistical rating organization ("Rating Agency"). When the Trust invests in unrated municipal obligations, it may be more dependent on Eaton Vance's research capabilities than when it invests in rated municipal obligations.

The Trust may invest up to 35% of its total assets in municipal obligations rated below investment grade (but no more than 30% of total assets may be rated lower than B by all Rating Agencies rating the obligation) and unrated municipal obligations considered to be of comparable quality by Eaton Vance. The Trust will not purchase securities that are in default at the time of purchase. Investment in municipal obligations of below investment grade quality involves special risks as compared with investment in higher grade municipal obligations. These risks include greater sensitivity to a general economic downturn, greater market price volatility and less secondary market trading. Securities rated below investment grade are commonly known as "junk bonds". Such securities are regarded, on balance, as predominantly speculative with respect to the issuer's ability to pay interest and repay principal owed. See "-- Additional Risk Considerations." For a description of municipal obligation ratings, see Appendix A to the Statement of Additional Information.

The foregoing credit quality policies apply only at the time a security is purchased, and the Trust is not required to dispose of a security in the event that a Rating Agency downgrades its assessment of the credit characteristics of a particular issue. 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 other Rating Agencies.

Municipal obligations include 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 regular federal income tax. 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 which 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.

Some of the securities in which the Trust invests may include so-called "zero-coupon" bonds, whose values are subject to greater fluctuation in response to changes in market interest rates than bonds that pay interest currently. 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. The Trust 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 Trust is required to distribute substantially all of its income for each taxable year. Thus, the Trust may have to sell other investments to obtain cash needed to make income distributions.

The Trust may invest to a significant extent in residual interest bonds, also known as inverse floating rate securities or inverse floaters. Typically, such securities represent beneficial interests in a special purpose trust (sometimes called a tender option bond trust) formed by a third party sponsor, typically a broker, for the purpose of holding fixed-rate municipal bonds. The tender option bond trust in turn issues floating rate notes which are sold to outside parties In general, income on residual interest bonds will decrease when short-term interest rates increase and increase when short-term interest rates decrease. Investments in residual interest bonds may subject the Trust to the risks of reduced or eliminated interest payments and losses of principal. In addition, residual interest bonds may increase or decrease in value at a greater rate than the underlying interest rate, which effectively leverages the Trust s investment. As a result, the market value of such securities generally will be more volatile than that of conventional fixed rate securities. The Trust may enter into shortfall and forbearance agreements with the broker by which the Trust agrees to reimburse the broker, in certain circumstances, for the difference between the liquidation value of the bond held by the tender option bond trust and the liquidation value of the floating rate notes, as well as any shortfalls in interest cash flows.

Any economic effect of leverage through the Trust s purchase of residual interest bonds will create an opportunity for increased Common Share net income and returns, but will also create the possibility that the Trust s long-term returns will be diminished if the cost of leverage exceeds the return on the residual interest bonds purchased by the Trust.

The amount of fees paid to Eaton Vance for investment advisory services will be higher if the Trust uses financial leverage because the fees will be calculated based on the Trust s gross assets. Gross assets include assets financed through the creation of tender option bond trusts, the issuance of preferred equity, borrowings and other forms of financial leverage, which may create a conflict of interest between Eaton Vance and the Shareholders.

Residual interest bonds have varying degrees of liquidity based upon the liquidity of the underlying securities deposited in a tender option bond trust. The market price of residual interest bonds is more volatile than the underlying securities due to leverage. In circumstances where the Trust has a need for cash and the securities in a tender option bond trust are not actively trading, the Trust may be required to sell its residual interest bonds at less than favorable prices, or liquidate other Trust portfolio holdings.

The Trust 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 Trust's current yield. Insurance generally will be obtained from insurers with a claims-paying ability rated at least Baa by Moody's or BBB by S&P or Fitch. The insurance feature does not guarantee the market value of the insured obligations or the net asset value of the Trust's shares.

The Trust 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, to seek to hedge against changes in interest rates, as a substitute for the purchase of securities or for other risk management purposes.

Interest income from certain types of municipal obligations may be a tax preference item for purposes of the federal alternative minimum tax (the "AMT") for individual investors. Distributions to corporate investors of certain interest income may also be indirectly subject to the AMT. The Trust may not be suitable for investors subject to the AMT.

The Trust has adopted certain fundamental investment restrictions set forth in the Statement of Additional Information which may not be changed without a Shareholder vote. Except for such restrictions and the 80% requirement set forth above, the investment objective and policies of the Trust may be changed by the Board of Trustees without Shareholder action.

Investment process

A team of Eaton Vance investment professionals is responsible for the overall management of the Trust s investments. The Trust s investments are actively managed, and may be bought or sold on a daily basis. The Adviser uses a variety of techniques that are designed to help control risk and seek to minimize the Trust s exposure to loss of principal value due to defaults and declines in the value of portfolio investments. There is no guarantee that it will be successful in its objective.

LISTING

As of December 31, 2008, the Trust had 17,310,465 Common Shares outstanding, which are traded on the NYSE under the symbol EVN. As of February 27, 2009, the last reported sales price of a Common Share of the Trust on the NYSE was $9.75. Any new Common Shares offered and sold pursuant to this Registration Statement will also be listed on the NYSE and trade under this symbol.

LEVERAGE

On March 9, 1999, the Trust issued 2,620 Series A and 2,620 Series B Auction Preferred Shares (APS), with a liquidation preference per share of $25,000 plus accumulated but unpaid dividends. As of December 31, 2008, 620 Series A and 620 Series B APS had been redeemed. The APS have seniority over the Common Shares. As December 31, 2008, the Trust had no outstanding borrowings, but did have leverage in the form of residual interest bonds in addition to the outstanding APS. The Adviser anticipates that the use of leverage (from such issuance of APS, any borrowings, and residual interest bonds) may result in higher income to Common Shareholders over time. Use of financial leverage creates an opportunity for increased income but, at the same time, creates special risks. There can be no assurance that a leveraging strategy will be successful.

The costs of the financial leverage program are borne by Common Shareholders and consequently result in a reduction of the net asset value of Common Shares. During periods in which the Trust is using leverage, the fees paid to Eaton Vance for investment advisory services will be higher than if the Trust did not use leverage because the fees paid will be calculated on the basis of the Trust s gross assets, including proceeds from the issuance of preferred shares and/or borrowings and interests in residual interest bonds. In this regard, holders of debt or preferred securities do not bear the investment advisory fee. Rather, Common Shareholders bear the portion of the investment advisory fee attributable to the assets purchased with the proceeds, which means that Common Shareholders effectively bear the entire advisory fee. See Investment objectives, policies and risks Use of Leverage and Related Risks and Management of the Trust The Adviser.

Financial leverage may also be achieved through the purchase of certain derivative instruments. The Trust s use of derivative instruments exposes the Trust to special risks. See Investment objective, policies and risks Additional Investment Practices and Investment objective, policies and risks Additional Risk Considerations.

INVESTMENT ADVISER AND ADMINISTRATOR

The Trust s investment adviser and administrator is Eaton Vance Management (Eaton Vance or the Adviser). As of January 31, 2009, Eaton Vance and its affiliates managed approximately $121.9 billion of assets.

PLAN OF DISTRIBUTION

The Trust intends to enter into a Distribution Agreement with EVD, a form of which will be filed as an exhibit to the Registration Statement of which this Prospectus is a part. The summary of the Distribution Agreement contained herein is qualified by reference to the Distribution Agreement. Subject to the terms and conditions of the Distribution Agreement, the Trust may issue and sell Common Shares of the Trust from time to time through EVD, which is the principal underwriter of the Common Shares, through certain broker-dealers which will have entered into selected dealer agreements with EVD. The Common Shares will only be sold on such days as shall be agreed to by the Trust and EVD.

The Common Shares will be sold at market prices, which shall be determined with reference to trades on the NYSE, subject to a minimum price to be established each day by the Trust. The minimum price on any day will not be less than the current NAV per Common Share plus the per Common Share amount of the commission to be paid to EVD. The Trust and EVD will suspend the sale of Common Shares if the per Common Share price of the Common Shares is less than the minimum price.

The Trust will compensate EVD with respect to sales of the Common Shares at a fixed commission rate of up to 4.00% of the gross sales price per share of Common Shares sold. EVD will compensate broker-dealers participating in the offering at a fixed rate of up to 3.20% of the gross sales price per share of Common Shares sold by that broker-dealer. EVD may from time to time change the dealer re-allowance. In all cases, the Trust will receive as net proceeds per Common Share sold an amount at least equal to the NAV per Common Share.

Settlements of sales of Common Shares will occur on the third business day following the date on which any such sales are made. Unless otherwise indicated in a further prospectus supplement, EVD as underwriter will act as underwriter on a reasonable efforts basis.

In connection with the sale of the Common Shares on behalf of the Trust, EVD may be deemed to be an underwriter within the meaning of the Securities Act of 1933, as amended (the 1933 Act), and the compensation of EVD may be deemed to be underwriting commissions or discounts.

The offering of Common Shares pursuant to the Distribution Agreement will terminate upon the earlier of (i) the sale of all Common Shares subject thereto or (ii) termination of the Distribution Agreement. The Trust and EVD each have the right to terminate the Distribution Agreement in its discretion at any time.

The Trust will bear the expenses of the Offering up to the amount by which the net proceeds to the Trust of the Offering exceed the net asset value per Common Share on the days on which Common Shares are sold pursuant to the offering. The Adviser will pay any expenses of the Offering in excess of this amount. Accordingly, existing Common Shareholders will bear offering expenses only to the extent that the Trust receives a premium above net asset value on Common Shares sold in the Offering. Offering expenses include, but are not limited to, the expense of preparation of the Prospectus and SAI for the Offering, the expense of counsel and auditors in connection with the Offering, and others.

DISTRIBUTIONS

The Trust intends to make regular monthly cash distributions to Common Shareholders. The amount of each monthly distribution will vary depending on a number of factors, including distributions payable on the preferred shares or other costs of financial leverage. As portfolio and market conditions change, the rate of distribution on the Common Shares and the Trust s distribution policy could change. Over time, the Trust will distribute all of its net investment income (after it pays accrued distributions on any outstanding preferred shares or other costs of financial leverage).

The net investment income of the Trust will consist of all interest income accrued on portfolio investments, short-term capital gain (including short-term gains on options, futures and forward positions and gains on the sale of portfolio investments held for one year or less) in excess of long-term capital loss and income from certain hedging transactions, less all expenses of the Trust. Expenses of the Trust will be accrued each day. Substantially all of the Trust s investment company taxable income will be distributed each year. In addition, at least annually, the Trust intends to distribute any net capital gain (which is the excess of net long-term capital gain over net short-term capital loss). To the extent that the Trust s net investment income and net capital gain for any year exceed the total monthly distributions paid during the year, the Trust will make a special distribution at or near year-end of such excess amount as may be required. If the Trust s total monthly distributions in any year exceed the amount of its net investment income and net capital gain for the year, any such excess would be characterized as a return of capital for federal income tax purposes. Under the 1940 Act, for any distribution that includes amounts from sources other than net income, the Trust is required to provide Common Shareholders a written statement regarding the components of such distribution. Such a statement will be provided at the time of any distribution believed to include any such amounts.

Common Shareholders may automatically reinvest some or all of their distributions in additional Common Shares pursuant to the Trust s dividend reinvestment plan. See Dividend reinvestment plan.

DIVIDEND REINVESTMENT PLAN

The Trust has established a dividend reinvestment plan (the Plan). Under the Plan, unless a Common Shareholder elects to receive distributions in cash, all distributions will be automatically reinvested in additional Common Shares, either purchased in the open market or newly issued by the Trust if the Common Shares are trading at or above their net asset value. Common Shareholders who intend to hold their Common Shares through a broker or nominee should contact such broker or nominee regarding the Plan. See Dividend reinvestment plan.

CLOSED-END STRUCTURE

Closed-end funds differ from open-end management investment companies (commonly referred to as mutual funds) in that closed-end funds generally list their shares for trading on a securities exchange and do not redeem their shares at the option of the shareholder. By comparison, mutual funds issue securities redeemable at net asset value at the option of the shareholder and typically engage in a continuous offering of their shares. Mutual funds are subject to continuous asset in-flows and out-flows that can complicate portfolio management, whereas closed-end funds generally can stay more fully invested in securities consistent with the closed-end fund s investment objectives and policies. In addition, in comparison to open-end funds, closed-end funds have greater flexibility in the employment of financial leverage and in the ability to make certain types of investments, including investments in illiquid securities.

However, shares of closed-end funds frequently trade at a discount from their net asset value. [Since inception the market price of the Trust s Common Shares has fluctuated and at times traded below NAV, but has generally traded above the Trust s NAV.] In recognition of the possibility that the Common Shares might trade at a discount to net asset value and that any such discount may not be in the interest of Common Shareholders, the Trust s Board of Trustees (the Board), in consultation with Eaton Vance, from time to time may review possible actions to reduce any such discount. The Board might consider open market repurchases or tender offers for Common Shares at net asset value. There can be no assurance that the Board will decide to undertake any of these actions or that, if undertaken, such actions would result in the Common Shares trading at a price equal to or close to net asset value per Common Share. The Board might also consider the conversion of the Trust to an open-end mutual fund. The Board believes, however, that the closed-end structure is desirable, given the Trust s investment objectives and policies. Investors should assume, therefore, that it is highly unlikely that the Board would vote to convert the Trust to an open-end investment company. Investors should note that the existence of preferred shares to provide investment leverage could make a conversion to open-end form more difficult because of the voting rights of preferred shareholders, the costs of redeeming preferred shares and other factors. See Description of capital structure.

SPECIAL RISK CONSIDERATIONS

Discount from or premium to NAV

The Offering will be conducted only when Common Shares of the Trust are trading at a price equal to or above the Trust s NAV per Common Share plus the per Common Share amount of commissions. As with any security, the market value of the Common Shares may increase or decrease from the amount initially paid for the Common Shares. The shares of closed-end management investment companies often trade at a discount from their net asset value, and the Trust s Common Shares may likewise trade at a discount from net asset value. This is a risk separate and distinct from the risk that the Trust s NAV may decrease.

Secondary market for the Trust s Common Shares

The issuance of Common Shares through the Offering may have an adverse effect on the secondary market for the Trust's Common Shares. The increase in the amount of the Trust's outstanding Common Shares resulting from the Offering may put downward pressure on the market price for the Common Shares of the Trust. Common Shares will not be issued pursuant to the Offering at any time when Common Shares are trading at a price lower than a price equal to the Trust's NAV per Common Share plus the per Common Share amount of commissions to be paid to EVD.

The Trust also issues Common Shares of the Trust through its Dividend Reinvestment Plan, see "Dividends Reinvestment Plan. Common Shares may be issued under the Dividend Reinvestment Plan at a discount to the market price for such Common Shares, which may put downward pressure on the market price for Common Shares of the Trust.

Interest Rate and 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. A decline in the prices of the municipal obligations owned by the Trust would cause a decline in the net asset value of the Trust, which could adversely affect the trading price of the Trust s Shares. This risk is usually greater among municipal obligations with longer maturities or durations. Although the Trust has no policy governing the maturities or durations of its investments, the Trust expects that it will generally invest in a portfolio of longer-term securities, generally with maturities of 10 years or greater. This means that the Trust will be subject to greater market risk (other things being equal) 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 coupon bonds that make regular interest payments. Because the Trust 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.

The Trust may invest to a significant extent in residual interest bonds known as inverse floaters,as explained above. Compared to similar fixed-rate municipal bonds, the value of these bonds will fluctuate to a greater extent in response to changes in prevailing long-term interest rates. Moreover, the income earned on residual interest bonds will fluctuate in response to changes in prevailing short-term interest rates. Thus, when such bonds are held by the Trust, an increase in short- or long-term market interest rates will adversely affect the income received from such bonds or the net asset value of Trust shares. In addition, the Trust could have obligations under shortfall and forbearance agreements, as explained above.

Income Risk

The income investors receive from the Trust 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, investors income from the Trust over time could drop as well if the Trust purchases securities with lower interest coupons.

Call and Other Reinvestment Risks

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, the Trust is likely to replace such called security with a lower yielding security. If that were to happen, it could decrease the Trust s dividends and possibly could affect the market price of Shares. Similar risks exist when the Trust invests the proceeds from matured or traded municipal obligations at market interest rates that are below the Trust s current earnings rate.

Credit Risk

Credit risk is the risk that one or more municipal bonds in the Trust s portfolio will decline in price, or fail to pay interest or principal when due, because the issuer of the bond experiences a decline in its financial status. Because the Trust may invest up to 35% of its total assets in below investment grade securities, it will be subject to a high level of credit risk. 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 the Trust s net asset value or dividends. Securities rated in the fourth highest category are considered investment grade, but they also may have some speculative characteristics.

Changes in the credit quality of the issuers of municipal obligations held by the Trust will affect the principal value of (and possibly the income earned on) such obligations. In addition, the value of such securities is 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 the Trust 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.

The Trust 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.

Liquidity Risk

At times, a portion of the Trust s assets may be invested in securities which the Trust, by itself or together with other accounts managed by Eaton Vance and its affiliates, holds a major portion of all of such securities. The secondary market for some municipal obligations may be less liquid than that for taxable debt obligations or other more widely traded municipal obligations. No established resale market exists for certain municipal obligations in which the Trust may invest. The Trust has no limitation on the amount of its assets that may be invested in securities which are not readily marketable or are subject to restrictions on resale. In certain situations, the Trust could find it more difficult to sell such securities at desirable times and/or prices. The Trust may not be able to readily dispose of such securities at prices that approximate those at which the Trust could sell such securities if they were more widely traded and, as a result of such illiquidity, the Trust may have to sell other investments or engage in borrowing transactions if necessary to raise cash to meet its obligations. In addition, the limited liquidity could affect the market price of the securities, thereby adversely affecting the Trust s net asset value and ability to make distributions.

Municipal Bond Market Risk

Investing in the municipal bond market involves certain risks. The amount of public information available about the municipal obligations in the Trust s portfolio is generally less than for corporate equities or bonds, and the investment performance of the Trust may therefore be more dependent on the analytical abilities of Eaton Vance than if the Trust 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, the Trust 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, the Trust may take possession of and manage the assets securing the issuer s obligations on such securities, which may increase the Trust s operating expenses. Any income derived from the Trust s ownership or operation of such assets may not be tax-exempt.

Concentration

The Trust may invest 25% or more of its gross assets in municipal obligations of issuers located in the same state (or U.S. territory) or in municipal obligations in the same economic sector, including, without limitation, the following: lease rental obligations of state and local authorities; obligations dependent on annual appropriations by a state s legislature for payment; obligations of state and local housing finance authorities, municipal utilities systems or public housing authorities; obligations of hospitals as well as obligations of the education and transportation sectors. This may make the Trust more susceptible to adverse economic, political, or regulatory occurrences affecting a particular state or economic sector. For example, health care related issuers are susceptible to changes in Medicaid reimbursement policies, and national and state health care legislation. As concentration increases, so does the potential for fluctuation in the net asset value of Trust Shares.

Lower-Rated Securities

Municipal obligations rated below investment grade or unrated securities that the Adviser considers to be of comparable quality ("lower quality securities") involve a greater degree of credit, interest rate and market risk than investment grade municipal obligations ("higher quality securities"). Lower quality securities are subject to a greater risk of an issuer's inability to meet principal and interest payments on the obligations and may also be subject to greater price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity. The prices of lower quality securities are also more likely to react to real or perceived developments affecting market and credit risk than are prices of higher quality securities, which react primarily to movements in the general level of interest rates. The investments in the Trust's portfolio will have speculative characteristics.

As indicated above, the Trust may invest up to 35% of its gross assets in municipal obligations that are rated below investment grade by at least one Rating Agency or unrated municipal obligations that the Adviser considers to be of comparable quality. Such obligations are commonly called "junk bonds" and will have speculative characteristics in varying degrees. While such obligations may have some quality and protective characteristics, these characteristics can be expected to be offset or outweighed by uncertainties or major risk exposures to adverse conditions. Eaton Vance seeks to minimize the risks of investing in below investment grade securities through professional investment analysis, attention to current developments in interest rates and economic conditions, and industry and geographic diversification (if practicable). When the Trust invests in lower rated or unrated municipal obligations, the achievement of the Trust's goals is more dependent on the Eaton Vance's ability than would be the case if the Trust 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. Eaton Vance will attempt to reduce the risks of investing in the lowest investment grade, below investment grade and comparable unrated obligations through active portfolio management, credit analysis and attention to current developments and trends in the economy and the financial markets.

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 the Trust experiences difficulties in the timely payment of principal or interest and such issuer seeks to restructure the terms of its borrowings, the Trust may incur additional expenses and may determine to invest additional assets with respect to such issuer or the project or projects to which the Trust's portfolio securities relate. Further, the Trust 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 Trust 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 the Trust may invest, trading in such securities may be relatively inactive. The Adviser is responsible for determining the net asset value of the Trust, subject to the supervision of the Trust s Board. During periods of reduced market liquidity and in the absence of readily available market quotations for lower grade municipal securities held in the Trust's portfolio, the ability of the Adviser to value the Trust's securities becomes more difficult and the Adviser's use of judgment may play a greater role in the valuation of the Trust's securities due to the reduced availability of reliable objective data. 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, the Trust 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 the Trust 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 the Trust's investment policies. The Trust 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, the Trust may incur additional expense seeking recovery of its investment.

Residual Interest Bond (Inverse Floater) Risk

The Trust may invest in residual interest bonds, also known as inverse floating rate securities or inverse floaters. Typically, such securities represent beneficial interests in a special purpose trust (sometimes called a tender option bond trust) formed by a third party sponsor, typically a broker, for the purpose of holding fixed-rate municipal bonds. The tender option bond trust in turn issues floating rate notes which are sold to outside parties. In general, income on residual interest bonds will decrease when short-term interest rates increase and increase when short-term interest rates decrease. Investments in residual interest bonds may subject the Trust to the risks of reduced or eliminated interest payments and losses of principal. In addition, residual interest bonds may increase or decrease in value at a greater rate than the underlying interest rate, which effectively leverages the Trust s investment. As a result, the market value of such securities generally will be more volatile than that of conventional fixed rate securities. The Trust may enter into shortfall and forbearance agreements with the broker by which the Trust agrees to reimburse the broker, in certain circumstances, for the difference between the liquidation value of the bond held by the tender option bond trust and the liquidation value of the floating rate notes, as well as any shortfalls in interest cash flows.

Any economic effect of leverage through the Trust s purchase of residual interest bonds will create an opportunity for increased Share net income and returns, but will also create the possibility that the Trust s long-term returns will be diminished if the cost of leverage exceeds the return on the residual interest bonds purchased by the Trust.

The amount of fees paid to Eaton Vance for investment advisory services will be higher if the Trust uses financial leverage because the fees will be calculated based on the Trust s gross assets. Gross assets include assets financed through the creation of tender option bond trusts, the issuance of preferred equity, borrowings and other forms of financial leverage, which may create a conflict of interest between Eaton Vance and the Shareholders.

Residual interest bonds have varying degrees of liquidity based upon the liquidity of the underlying securities deposited in a tender option bond trust. The market price of residual interest bonds is more volatile than the underlying securities due to leverage. In circumstances where the Trust has a need for cash and the securities in a tender option bond trust are not actively trading, the Trust may be required to sell its residual interest bonds at less than favorable prices, or liquidate other Trust portfolio holdings.

Counterparty Risk

Changes in the credit quality of the companies that serve as the Trust s counterparties with respect to its derivatives positions and liquidity providers for the Trust s residual interests bonds or other investments supported by another party s credit will affect the value of those instruments. Certain entities that have served as counterparties in the municipals markets have recently incurred significant financial hardships including bankruptcy and losses as a result of exposure to sub-prime mortgages and other lower quality credit investments that have experienced recent defaults or otherwise suffered extreme credit deterioration. As a result, such hardships have reduced these entities capital and called into question their continued ability to perform their obligations. By using derivatives or other instruments that expose the Trusts to counterparties, the Trust assumes the risk that its counterparties could experience future financial hardship.

Hedging Risk

The Trust s use of derivatives or other transactions to reduce risks involves costs and will be subject to Eaton Vance s ability to predict correctly changes in the relationships of such hedge instruments to the Trust s portfolio holdings or other factors. No assurance can be given that Eaton Vance s judgment in this respect will be correct. In addition, no assurance can be given that the Trust will enter into hedging or other transactions at times or under circumstances in which it may be advisable to do so. Hedging transactions have risks, including: the imperfect correlation between the value of such instruments and the underlying assets of the Trust, which creates the possibility that the loss on such instruments may be greater than the gain, if any, in the value of the underlying asset in the Trust's portfolio; the limited availability of such instruments; the loss of principal; the possible default of the other party to the transaction; illiquidity of the derivative investments; and the imperfect correlation between the tax-exempt and taxable markets. Furthermore, the ability to successfully use hedging transactions depends on the Eaton Vance s ability to predict pertinent market movements, which cannot be assured. Thus, the use of hedging transactions may result in losses greater than if they had not been used, may require the Trust to sell or purchase portfolio securities at inopportune times or for prices other than current market values, may limit the amount of appreciation the Trust can realize on an investment, or may cause the Trust to hold a security that it might otherwise sell..

The purchase or sale of futures or swap contracts may result in losses in excess of the amount invested in the futures or swap contract. While the Trust may enter into futures and swap contracts and options on futures contracts for hedging purposes, the use of futures and swap contracts and options on futures contracts might result in a poorer overall performance for the Trust than if it had not engaged in any such transactions. There may be an imperfect correlation between the Trust's portfolio holdings and futures or swap contracts or options on futures contracts entered into by the Trust, which may prevent the Trust from achieving the intended hedge or expose the Trust to risk of loss. The degree of imperfection of correlation depends on circumstances such as variations in market demand for futures, swaps, options on futures and their related securities, including technical influences in futures, swaps and futures options trading, and differences between the securities markets and the securities underlying the standard contracts available for trading. Furthermore, the Trust's use of futures and swap contracts and options on futures contracts to reduce risk involves costs and will be subject to Eaton Vance's ability to correctly predict changes in interest rate relationships or other factors.

There are several risks associated with hedging transactions in options on securities. For example, there are significant differences between the securities and options markets that could result in an imperfect correlation between these markets, causing a given transaction not to achieve its objectives. A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events.

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 the Shares and distributions thereon can decline.

Limited Diversification

The Trust has registered as a diversified investment company under the 1940 Act which means that, subject to its investment restrictions and applicable federal income tax diversification requirements, with respect to 25% of its gross assets, it will be able to invest more than 5% of the value of its gross assets in the obligations of any single issuer. To the extent the Trust invests a relatively high percentage of its assets in obligations of a limited number of issuers, the Trust will be more susceptible than a more widely diversified investment company to any single corporate, economic, political or regulatory occurrence.

Duration and Maturity Risk

The Trust has no set policy regarding portfolio maturity or duration. Holding long duration and long maturity investments will expose the Trust to certain magnified risks. These risks include interest rate risk, credit risk and liquidity risks as discussed above.

Management Risk

The Trust is subject to management risk because it is an actively managed portfolio. Eaton Vance and the portfolio managers invest the assets of the Trust as they deem appropriate in implementing the Trust s investment strategy. Accordingly, the success of the Trust depends upon the investment skills and analytical abilities of Eaton Vance and the portfolio managers to develop and effectively implement investment strategies that achieve the Trust s investment objectives. There is no assurance that Eaton Vance and the portfolio managers will be successful in developing and implementing the Trust s investment strategy. Decisions made by Eaton Vance and the portfolio managers may cause the Trust to incur losses or to miss profit opportunities on which it could otherwise have capitalized.

Market Disruption

The terrorist attacks in the United States on September 11, 2001 had a disruptive effect on the securities markets. The Trust cannot predict the effects of similar events in the future on the U.S. economy. These terrorist attacks and related events, including the war in Iraq, its aftermath, and continuing occupation of Iraq by coalition forces, have raised short-term market risk and may have adverse long-term effects on U.S. and world economies and markets. A similar disruption of the financial markets could impact the value of investments held by the Trust, interest rates, auctions, secondary trading, ratings, credit risk, inflation and other factors relating to the Common Shares.

Anti-takeover Provisions

The Trust s Agreement and Declaration of Trust includes provisions that could have the effect of limiting the ability of other persons or entities to acquire control of the Trust or to change the composition of its Board and have the effect of depriving shareholders of an opportunity to sell their Shares at a premium over net asset value. See Description of capital structure Anti-takeover Provisions in the Declaration of Trust.

Effects of Financial Leverage

On March 9, 1999, the Trust issued 2,620 Series A and 2,620 Series B Auction Preferred Shares (APS), with a liquidation preference per share of $25,000 plus accumulated but unpaid dividends. As of December 31, 2008, 620 Series A and 620 Series B APS had been redeemed. The APS have seniority over the Common Shares. As December 31, 2008, the Trust had no outstanding borrowings, but did have leverage in the form of Residual Interest Bonds in addition to the outstanding APS. The Adviser anticipates that the use of leverage (from such issuance of APS, any borrowings, and Residual Interest Bonds) may result in higher income to Common Shareholders over time. Leverage creates risks for Common Shareholders, including the likelihood of greater volatility of net asset value and market price of the Common Shares and the risk that fluctuations in distribution rates on any preferred shares and costs of borrowings may affect the return to Common Shareholders. To the extent the income derived from investments purchased with proceeds received from leverage exceeds the cost of leverage, the Trust s distributions will be greater than if leverage had not been used. Conversely, if the income from the investments purchased with such proceeds is not sufficient to cover the cost of leverage, the amount available for distribution to Common Shareholders will be less than if leverage had not been used. In the latter case, Eaton Vance in its best judgment may nevertheless determine to maintain the Trust s leveraged position if it deems such action to be appropriate.

As discussed under Management of the Trust, the fee paid to Eaton Vance will be calculated on the basis of the Trust s gross assets, including proceeds from the issuance of preferred shares and/or borrowings and the purchase of Residual Interest Bonds, so the fees will be higher when leverage is utilized. In this regard, holders of debt or preferred securities do not bear the investment advisory fee. Rather, Common Shareholders bear the portion of the investment advisory fee attributable to the assets purchased with the proceeds, which means that Common Shareholders effectively bear the entire advisory fee. See Investment objectives, policies and risks Use of Leverage and Related Risks.

The APS have been rated [ ] by Fitch and [ ] by Moody s. The Trust currently intends to seek to maintain these or an equivalent credit rating from other Rating Agencies on the APS or any preferred shares it issues. The Trust is subject to investment restrictions of the Rating Agencies as a result. Any bank lender in connection with a credit facility or commercial paper program may also impose specific restrictions as a condition to borrowing. Such restrictions imposed by a Rating Agency or lender may include asset coverage or portfolio composition requirements that are more stringent than those imposed on the Trust by the 1940 Act. These covenants or guidelines do not currently and are not expected to impede Eaton Vance in managing the Trust s portfolio in accordance with its investment objectives and policies and it is not anticipated that they will so impeded Eaton Vance in the future. See Description of capital structure Preferred Shares and Description of capital structure Credit Facility/Commercial Paper Program.

Financial leverage may also be achieved through the purchase of certain derivative instruments. The Trust s use of derivative instruments exposes the Trust to special risks. See Investment objectives, policies and risks Additional Investment Practices and Investment objectives, policies, and risks Additional Risk Considerations.

Summary of Trust expenses

The purpose of the table below is to help you understand all fees and expenses that you, as a Common Shareholder, would bear directly or indirectly. On March 9, 1999, the Trust issued 2,620 Series A and 2,620 Series B Auction Preferred Shares (APS), with a liquidation preference per share of $25,000 plus accumulated but unpaid dividends.(1) As of December 31, 2008, 620 Series A and 620 Series B APS had been redeemed. As of December 31, 2008, the Trust had no outstanding borrowings. The following table reflects the issuance of such preferred shares in an amount equal to [%] of the Trust s total assets and borrowings in an amount equal to [%] of the Trust s total assets, (including the proceeds of all such leverage) and shows Trust expenses as a percentage of net assets attributable to Common Shares.

Common Shareholder transaction expenses	
At-the-market transaction fees	[ ]%
Offering expenses borne by the Trust	[ ]%(2)
Dividend reinvestment plan fees	None(3)

	Percentage of Net Assets Attributable to Common Shares (Assuming Leverage as Described Above)
Annual expenses	
Management fee	0.70%(4)
Other expenses	[ ]%
Interest payments on borrowings	[ ]%(5)
Total annual expenses	[ ]%
Net annual expenses	[ ]%
Dividends on preferred shares	[ ]%
Total net annual Trust operating expenses and dividends on preferred shares	[ ]%

EXAMPLE

The following example illustrates the expenses (including the applicable at-the-market transaction fees and estimated offering costs of

$[ ] that a Common Shareholder would pay on a $1,000 investment that is held for the time periods provided in the table. The Example assumes that all dividends and other distributions are reinvested in the Trust and that the Trust s total net annual expenses and dividends on preferred shares, with the applicable expense limitations, as provided above, remain the same. The Example assumes a 5% annual return. (6)

1 Year	**3 Years**	**5 Years**	**10 Years(8)**
$	$	$	$

The example should not be considered a representation of future expenses. Actual expenses may be higher or lower.

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(1) On March 9, 1999, the Trust issued 2,620 Series A and 2,620 Series B Auction Preferred Shares (APS), with a liquidation preference per share of $25,000 plus accumulated but unpaid dividends. The Trust redeemed 620 of Series A and Series B APS and at December 31, 2008 the Trust had 2,000 Series A and 2,000 Series B APS outstanding. The costs of offering preferred shares was approximately [ ]% of the total amount of the preferred share offering, and was effectively borne by Common Shareholders and resulted in a reduction of the net asset value of the Common Shares. The issuance of preferred shares in an amount equal to [ ]% of the Trust s total assets (after issuance), those offering costs were approximately $[ ] or $[ ] per common share ([ ]% of the offering price).

(2) Assuming a Common Share offering price of $9.75 (the Trust s closing price on the NYSE on February 27 , 2009).

(3) You will be charged a $5.00 service charge and pay brokerage charges if you direct the plan agent to sell your Common Shares held in a dividend reinvestment account.

(4) The advisory fee paid by the Trust to the Adviser is based on the average daily gross assets of the Trust, including all assets attributable to any form of investment leverage that the Trust may utilize. The fee table figure is based on net assets and assumes [ ]% of the Trust s total assets attributable to investment leverage. Accordingly, if the Trust were to utilize additional investment leverage in the future, the advisory fee would increase as a percentage of net assets. See Management of the Trust.

(5) Assumes an interest rate on borrowings of [ ]% and a dividend rate on preferred shares of [ ]%. Such rates are estimates and may differ based on varying market conditions that may exist as and when borrowings are made and preferred shares are issued. The current interest rate on borrowings is [ ]% and the current dividend rate on preferred shares is [ ]%.

(6) The example assumes that the estimated Other expenses set forth in the Annual expenses table are accurate, that fees and expenses increase as described in note 2 above and that all distributions are reinvested at net asset value. Actual expenses may be greater or less than those assumed. Moreover, the Trust s actual rate of return may be greater or less than the hypothetical 5% return shown in the example.

Financial highlights and investment performance

FINANCIAL HIGHLIGHTS TABLE

Information contained in the table below under the headings Per Share Operating Performance and Ratios/Supplemental Data shows the audited operating performance of the Trust for the life of the Registrant.

11 [TO BE PROVIDED BY AMENDMENT]

TRADING AND NAV INFORMATION

The following table shows for the Trust s Common Shares for each full quarter during the period from December 1, 2006 through February 28, 2009[ ]) to [ ], 2009: (1) the high and low closing prices as reported on the NYSE; (2) the NAV per Common Share represented by each of the high and low closing prices as reported on the NYSE; and (3) the discount from or premium to NAV per Common Share (expressed as a percentage) represented by these closing prices. The table also sets forth the aggregate number of shares traded as shown on the NYSE Composite Transaction Tape during the period. [TO BE PROVIDED BY AMENDMENT]

	Price	**NAV**		**Premium/(Discount) to NAV**	
	High	Low	High	Low	Reported NYSE Volume
Period from December 1, 2006 through Febuary 28, 2007					
[etc. for each quarter through last completed quarter]					

The Trust

Eaton Vance Municipal Income Trust (the Trust) is a diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended (the 1940 Act). The Trust was organized as a Massachusetts business trust on December 10, 1998 pursuant to a Declaration of Trust governed by the laws of The Commonwealth of Massachusetts and commenced operations on January 29, 1999. The Trust s principal office is located at Two International Place, Boston, Massachusetts 02110 and its telephone number is 1-800-225-6265.

On January 26, 1999, the Trust issued 14,000,000 Common Shares of beneficial interest, par value $0.01 per share, pursuant to the initial public offering thereof. The Trust s Common Shares are listed on the New York Stock Exchange (NYSE) under the symbol EVN. Any new Common Shares issued in the Offering also will be listed on the NYSE and trade under this symbol. On March 1, 1999, the Trust issued 2,620 Series A and 2,620 Series B Auction Preferred Shares (together the APS). On December 31, 2008 the Trust had 2,000 Series A and 2,000 Series B APS outstanding.

The following provides information about the Trust s outstanding shares as of December 31, 2008:

Class	**Amount Authorized**	**Amount Held by the Trust or for its Account**	**Amount Outstanding**
Common Shares	Unlimited	[0]	17,310,465
APS, Series A	2,620	[0]	2,000
APS, Series B	2,620	[0]	2,000

THE OFFERING

This prospectus applies to [ ] shares of beneficial interest (the "Common Shares") of the Trust which may be issued and sold from time to time by the Trust (the "Offering") through Eaton Vance Distributors (EVD), as distributor and principal underwriter, through broker-dealers who have entered into selected dealer agreements with EVD. See "Plan of Distribution." The Common Shares will be sold at market prices, which shall be determined with reference to trades on the New York Stock Exchange (NYSE), subject to a minimum price to be established each day by the Trust. The minimum price on any day will not be less than the current net asset value ("NAV") per Common Share plus the per share amount of the sales commission to be paid to EVD. The Trust and EVD will suspend the sale of Common Shares if the per share price is less than the minimum price. The Trust will compensate EVD with respect to sales of the Common Shares at a fixed commission rate of up to 4.00% of the gross sales price per share of Common Shares sold. EVD will compensate broker-dealers participating in the offering at a fixed rate of up to 3.20% of the gross sales price per share of Common Shares sold by that broker-dealer. EVD may from time to time change the dealer re-allowance. In all cases, the Trust will receive as net proceeds per Common Share sold an amount at least equal to the NAV per Common Share. As of February 27, 2009, the last reported sales price of a Common Share of the Trust on the NYSE was $9.75.

Use of Proceeds

It is expected that the net proceeds of the Offering will be invested in accordance with the Trust s investment objective and policies. The Trust anticipates that it will be possible to invest the proceeds of the Offering consistent with the Trust s investment objectives and policies almost immediately.

Portfolio Composition

As of November 30, 2008, the following sets forth certain information with respect to the characteristics and composition of the Trust s investment portfolio:

Percentage of total investment portfolio invested in investment grade obligations	75.6%
Percentage of total investment portfolio invested in obligations rated below investment grade	24.4%

Rating	Percent
AAA	31.1
AA	22.9
A	9.5
BBB	12.1
BB	4.4
B	6.4
C	1.0
Not rated	12.6

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(1) Ratings: Using the higher of S&P s, Moody s or Fitch s ratings on the Trust s investments. S&P and Fitch rating categories may be modified further by a plus (+) or minus ( ) in AA, A, BBB, BB, B, and CCC ratings. Moody s rating categories may be modified further by a 1, 2 or 3 in Aa, A, Baa, Ba, B, and Caa ratings. These ratings include the ratings held by tender option bond trusts in which the Trust holds a residual interest.

Investment objectives, policies and risks

INVESTMENT OBJECTIVES

The Trust's investment objective is to provide current income exempt from regular federal income tax. This income will be earned by investing primarily in investment grade municipal obligations. Securities will be purchased and sold in an effort to maintain a competitive yield and to enhance return based upon the relative value of the securities available in the marketplace. Investments are based on Eaton Vance Management's (Eaton Vance or the Adviser) research and ongoing credit analysis, the underlying materials for which are generally not available to individual investors.

INVESTMENT RATIONALE

Eaton Vance seeks to find municipal obligations exhibiting relative value as compared to other opportunities in the municipal marketplace. Eaton Vance s team of research analysts, traders and portfolio managers are devoted exclusively to analyzing municipal securities. The team s goal is to find municipal bonds that are attractively priced in relation to other available opportunities due to differing dynamics in individual sectors of the municipal bond market, municipal bond supply, and the structure of individual bonds, especially in regard to maturities, coupons, and call dates. Eaton Vance views research capability as being key to identifying trends that impact the yield-spread relationship among bonds. This research capability is important because many obligations in which the Trust will invest will not be rated or listed on a national securities exchange, and the amount of public information available about such securities will be limited. The Trust emphasizes the research that is critical to discovering value while seeking to avoid undue credit risk. The Trust attempts to enhance performance opportunities by seeking to remain fully invested.

PORTFOLIO PARAMETERS

During normal market conditions, substantially all of the Trust's total assets (at least 80%) will be invested in debt obligations issued by or on behalf of states, territories and possessions of the United States, and the District of Columbia and their political subdivisions, agencies or instrumentalities, the interest on which is exempt from regular federal income tax ("municipal obligations"). At least 65% of the Trust'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 Standard & Poor's Ratings Group ("S&P") or by Fitch IBCA

("Fitch")), or, if unrated, determined by Eaton Vance to be of at least investment grade quality. From time to time, the Trust may hold a significant amount of municipal obligations not rated by a nationally recognized statistical rating organization ("Rating Agency"). When the Trust invests in unrated municipal obligations, it may be more dependent on Eaton Vance's research capabilities than when it invests in rated municipal obligations.

The Trust may invest up to 35% of its total assets in municipal obligations rated below investment grade (but no more than 30% of total assets may be rated lower than B by all Rating Agencies rating the obligation) and unrated municipal obligations considered to be of comparable quality by Eaton Vance. No such securities will be in default at the time of purchase. Investment in municipal obligations of below investment grade quality involves special risks as compared with investment in higher grade municipal obligations. These risks include greater sensitivity to a general economic downturn, greater market price volatility and less secondary market trading. Securities rated below investment grade are commonly known as "junk bonds". Such securities are regarded, on balance, as predominantly speculative with respect to the issuer's ability to pay interest and repay principal owed. For a description of municipal obligation ratings, see Appendix A to the Statement of Additional Information.

The foregoing credit quality policies apply only at the time a security is purchased, and the Trust is not required to dispose of a security in the event that a Rating Agency downgrades its assessment of the credit characteristics of a particular issue. 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 other Rating Agencies.

Municipal obligations include 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 regular federal income tax. 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 which 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.

Some of the securities in which the Trust invests may include so-called "zero-coupon" bonds, whose values are subject to greater fluctuation in response to changes in market interest rates than bonds that pay interest currently. 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. The Trust 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 Trust is required to distribute substantially all of its income for each taxable year. Thus, the Trust may have to sell other investments to obtain cash needed to make income distributions.

The Trust may invest in residual interest bonds. Typically, residual interest bonds represent beneficial interests in a special purpose trust formed by a third party sponsor for the purpose of holding municipal bonds. In general, income on residual interest bonds will decrease when interest rates increase and increase when interest rates decrease. Investments in inverse floating rate securities may subject the Trust to the risks of reduced or eliminated interest payments and losses of principal.

Residual interest bonds may increase or decrease in value at a greater rate than the underlying interest rate, which effectively leverages the Trust s investment. As a result, the market value of such securities generally will be more volatile than that of fixed rate securities. Any economic effect of leverage through the Trust s purchase of residual interest bonds will create an opportunity for increased common shareholder net income and returns, but will also create the possibility that long-term returns to common shareholders will be diminished if the cost of leverage exceeds the return on the residual interest bonds purchased by the Trust. Residual interest bonds have varying degrees of liquidity based upon the liquidity of the underlying securities deposited in a tender option bond trust. The market price of residual interest bonds is more volatile than the underlying securities due to leverage. In circumstances where the Trust has a need for cash and the securities in a tender option bond trust are not actively trading, the Trust may be required to sell its residual interest bonds at less than favorable prices, or liquidate other Trust portfolio holdings. There is no assurance that the Trust s strategy of investing in residual interest bonds will be successful.

Because increases in either the interest rate on the securities or the value of indexes (with which residual interest bonds maintain their inverse relationship) reduce the residual interest paid on residual interest bonds, residual interest bonds value is generally more volatile than that of fixed rate bonds. Residual interest bonds have varying degrees of liquidity that approximate the liquidity of the underlying bond(s), and the market price for these securities is volatile. These securities generally will underperform the market of fixed rate bonds in a rising short term interest rate environment, but tend to outperform the market of fixed rate bonds when short term interest rates decline or remain relatively stable. Although volatile, residual interest bonds typically offer the potential for yields exceeding the yields available on fixed rate bonds with comparable credit quality, coupon, call provisions and maturity.

The Trust may also invest infloating rate securities issued by tender option bond trusts. These may take the form of short-term floating rate securities or the option period may be substantially longer. Generally, the interest rate earned will be based upon the market rates for municipal securities with maturities or remarketing provisions that are comparable in duration to the periodic interval of the tender option, which may vary from weekly, to monthly, to extended periods of one year or multiple years.

The Trust 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 Trust's current yield. Insurance generally will be obtained from insurers with a claims-paying ability rated at least Baa by Moody's or BBB by S&P or Fitch. The insurance feature does not guarantee the market value of the insured obligations or the net asset value of the Trust's shares.

Interest income from certain types of municipal obligations may be a tax preference item for purposes of the federal alternative minimum tax (the "AMT") for individual investors. Distributions to corporate investors of certain interest income may also be indirectly subject to the AMT. The Trust may not be suitable for investors subject to the AMT.

The Trust has adopted certain fundamental investment restrictions set forth in the Statement of Additional Information which may not be changed without a Shareholder vote. Except for such restrictions and the 80% requirement set forth above, the investment objective and policies of the Trust may be changed by the Board of Trustees without Shareholder action.

ADDITIONAL INVESTMENT PRACTICES

When-Issued Securities. The Trust may purchase securities on a "when-issued" basis, which means that payment and 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 the Trust agreed to pay for them. The Trust may be required to maintain a segregated account of liquid assets equal to outstanding purchase commitments. The Trust may also purchase instruments that give the Trust the option to purchase a municipal obligation when and if issued.

Futures Transactions. The Trust may purchase and sell various kinds of financial futures contracts and options thereon to seek to hedge against changes in interest rates or as a substitute for the purchase of securities. For example, futures contracts may sometimes be used to seek to reduce the additional long-term interest rate risk the Trust bears by holding residual interest municipal bonds. 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 the Trust's initial investment in these contracts. The Trust 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 the Trust. Distributions by the Trust of any gains realized on the Trust's transactions in futures and options on futures will be taxable. Rating agency guidelines on any preferred shares issued by the Trust may limit use of these transactions.

Investment Company Securities. The Trust may purchase common shares of closed-end investment companies that have a similar investment objective and policies to the Trust. 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 the Trust, will not exceed 10% of total assets, and no such company will be affiliated with Eaton Vance. These companies bear fees and expenses that the Trust will incur indirectly.

INVESTMENT PROCESS

A team of Eaton Vance investment professionals is responsible for the overall management of the Trust s investments. The Trust s investments are actively managed, and may be bought or sold on a daily basis. The Adviser uses a variety of techniques that are designed to help control risk and seek to minimize the Trust s exposure to loss of principal value due to defaults and declines in the value of portfolio investments.

The Adviser s staff monitors the credit quality and price of securities and instruments held by the Trust, as well as other securities and instruments that are available for investment. The Trust is not required to dispose of an investment in the event that a Rating Agency downgrades its assessment of the credit characteristics of a particular issue or withdraws its assessment, including in the event of a default. In determining whether to retain or sell such an investment, the Adviser may consider such factors as the Adviser s assessment of the credit quality of the issuer of such investment, the price at which such investment could be sold and the rating, if any, assigned to such investment by other Rating Agencies.

Portfolio turnover

The Trust cannot accurately predict its portfolio turnover rate, but its historical annual turnover rate over the last five years has been between 21% and 53% (excluding turnover of securities and obligations having a maturity of one year or less). For the year ended November 30, 2008 the Trust s portfolio turnover rates was 53%. The Trust may engage in active short-term trading to benefit from yield disparities among different issues, to seek short-term profits or for other reasons. Such trading will increase the Trust s rate of turnover and may increase the incidence of net short-term capital gains which, upon distribution by the Trust, are taxable to Common Shareholders as ordinary income.

USE OF LEVERAGE AND RELATED RISKS

On March 9, 1999, the Trust issued 2,620 Series A and 2,620 Series B Auction Preferred Shares (APS), with a liquidation preference per share of $25,000 plus accumulated but unpaid dividends. As of December 31, 2008, 620 Series A and 620 Series B APS had been redeemed. The APS have seniority over the Common Shares. As December 31, 2008, the Trust had no outstanding borrowings, but did have leverage in the form of residual interest bonds in addition to the outstanding APS. The Adviser anticipates that the use of leverage (from such issuance of the APS, borrowings and the purchase of residual interest bonds) will result in higher income to Common Shareholders over time. Use of financial leverage creates an opportunity for increased income but, at the same time, creates special risks. There can be no assurance that a leveraging strategy will successful. The fee paid to Eaton Vance will be calculated on the basis of the Trust s gross assets, including proceeds from the issuance of preferred shares and/or borrowings and investment in residual interest bonds, so the fees will be higher when leverage is utilized. In this regard, holders of debt or preferred securities do not bear the investment advisory fee. Rather, Common Shareholders bear the portion of the investment advisory fee attributable to the assets purchased with the proceeds, which means that Common Shareholders effectively bear the entire advisory fee.

Leverage creates risks for holders of the Common Shares, including the likelihood of greater volatility of net asset value and market price of the Common Shares. There is a risk that fluctuations in the distribution rates on any outstanding preferred shares may adversely affect the return to the holders of the Common Shares. If the income from the investments purchased with such funds is not sufficient to cover the cost of leverage, the return on the Trust will be less than if leverage had not been used, and therefore the amount available for distribution to Common Shareholders will be reduced. The Adviser in its best judgment nevertheless may determine to maintain the Trust s leveraged position if it deems such action to be appropriate in the circumstances.

Changes in the value of the Trust s investment portfolio (including investments bought with the proceeds of leverage) will be borne entirely by the Common Shareholders. If there is a net decrease (or increase) in the value of the Trust s investment portfolio, the leverage will decrease (or increase) the net asset value per Common Share to a greater extent than if the Trust were not leveraged. During periods in which the Trust is using leverage, the fees paid to Eaton Vance for investment advisory services will be higher than if the Trust did not use leverage because the fees paid will be calculated on the basis of the Trust s gross assets, including the proceeds from the issuance of preferred shares and/or borrowings. As discussed under Description of capital structure, the Trust s issuance of preferred shares may alter the voting power of Common Shareholders.

Capital raised through leverage will be subject to distribution and/or interest payments, which may exceed the income and appreciation on the assets purchased. The issuance of preferred shares involves offering expenses and other costs and may limit the Trust s freedom to pay distributions on Common Shares or to engage in other activities. The issuance of a class of preferred shares having priority over the Trust s Common Shares creates an opportunity for greater return per Common Share, but at the same time such leveraging is a speculative technique that will increase the Trust s exposure to capital risk. Unless the income and appreciation, if any, on assets acquired with offering proceeds exceed the cost of issuing additional classes of securities (and other Trust expenses), the use of leverage will diminish the investment performance of the Trust s Common Shares compared with what it would have been without leverage.

The Trust is subject to certain restrictions on investments imposed by guidelines of one or more Rating Agencies that issued ratings for preferred shares issued by the Trust. These guidelines impose asset coverage or Trust composition requirements that are more stringent than those imposed on the Trust by the 1940 Act. It is not anticipated that these covenants or guidelines will impede the Adviser from managing the Trust s portfolio in accordance with the Trust s investment objectives and policies.

Under the 1940 Act, the Trust is not permitted to issue preferred shares unless immediately after such issuance the total asset value of the Trust s portfolio is at least 200% of the liquidation value of the outstanding preferred shares plus the amount of any senior security representing indebtedness (*i.e.*, such liquidation value and amount of indebtedness may not exceed 50% of the Trust s total assets). In addition, the Trust is not permitted to declare any cash distribution on its Common Shares unless, at the time of such declaration, the net asset value of t