

PUTNAM MUNICIPAL OPPORTUNITIES TRUST
Form N-14 8C/A
September 11, 2007

As filed with the Securities and Exchange Commission on September 11, 2007

Registration No. 333-145129
(Investment Company Act Registration Number 811-07626)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-14

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Pre-Effective Amendment No. 2

Post-Effective Amendment No. ____

PUTNAM MUNICIPAL OPPORTUNITIES TRUST

(Exact Name of Registrant as Specified in Charter)

One Post Office Square
Boston, Massachusetts 02109
(Address of Principal Executive Offices)

617-292-1000
(Area Code and Telephone Number)

Beth S. Mazor
Putnam Municipal Opportunities Trust
One Post Office Square
Boston, Massachusetts 02109
(Name and Address of Agent for Service)

With copies to:

John W. Gerstmayr, Esq.
Ropes & Gray LLP
One International Place
Boston, Massachusetts 02110

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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	Amount of Registration Fee
Common Shares of beneficial interest	30,767,339	\$12.90(1)	\$396,898,679	\$12,184.78
Preferred Shares			\$273,000,000	\$8,381.10

(1) Net asset value per common shares on July 31, 2007.

Approximate Date of Proposed Public Offering: As soon as practicable after the effective date of this Registration Statement.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Important information for shareholders of

PUTNAM MUNICIPAL OPPORTUNITIES TRUST PUTNAM INVESTMENT GRADE MUNICIPAL TRUST AND PUTNAM MUNICIPAL BOND FUND

The document you hold in your hands is a combined prospectus/proxy statement and was delivered with a proxy card. A proxy card is, in essence, a ballot. When you fill out your proxy card, it tells us how to vote on your behalf on important issues relating to your fund. If you complete and sign the proxy, we'll vote it exactly as you tell us. If you simply sign the proxy, we'll vote it in accordance with the Trustees' recommendations on pages 23 and 25.

We urge you to review the prospectus/proxy statement carefully, and to provide your voting instructions by using any of the methods shown on your proxy card. When shareholders don't return their proxies in sufficient numbers, we have to make follow-up solicitations, which can cost your fund money.

We want to know how you would like to vote and welcome your comments. Please take a few minutes with these materials and return your proxy to us.

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PROXY CARD ENCLOSED

If you have any questions, please contact us at 1-800-780-7316, the toll-free number we have set up for you, or call your financial representative.

A Message from the Chairman

Dear Putnam Municipal Opportunities Trust Shareholder:

I am writing to you to ask for your vote on an important matter that affects your investment in Putnam Municipal Opportunities Trust (Municipal Opportunities Trust). While you are, of course, welcome to join us at Municipal Opportunities Trust s meeting, most shareholders cast their vote by filling out and signing the enclosed proxy card, by calling or by voting via the Internet.

We are asking for your vote on the following:

1. Approval of the proposed merger of each of (a) Putnam Investment Grade Municipal Trust and (b) Putnam Municipal Bond Fund into Municipal Opportunities Trust. In each merger, the common shares of the fund being acquired would, in effect, be exchanged, on a tax-free basis, for new common shares of Municipal Opportunities Trust with an equal net asset value, and preferred shares of the fund being acquired would, in effect, be exchanged for new preferred shares of Municipal Opportunities Trust with an equal aggregate liquidation preference. (To be voted on by common and preferred shareholders.)
2. Approval of (a) the authorization of \$273 million of additional preferred shares of Municipal Opportunities Trust to be issued in exchange for existing preferred shares of the funds being acquired as described in Proposal 1 above and (b) a two-for-one stock-split of the Series A preferred shares of Municipal Opportunities Trust and a corresponding reduction in liquidation preference from \$50,000 per share to \$25,000 per share, in order to facilitate the proposed mergers. (To be voted on by preferred shareholders only.)

The investment objectives of Municipal Opportunities Trust and the funds being acquired are substantially similar. All three funds are leveraged closed-end funds seeking as high a level of current income exempt from federal income tax as Putnam Investment Management, LLC, your fund s investment manager, believes is consistent with preservation of capital. Although the proposed mergers are not expected to materially affect the operation of your fund, we are required by your fund s Agreement and Declaration of Trust and by the rules of the New York Stock Exchange to solicit your vote on these matters.

If shareholders approve the proposed mergers and certain conditions are met, the mergers are expected to take place in October 2007.

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The Trustees of Municipal Opportunities Trust have carefully reviewed the terms of the proposals and unanimously recommend that shareholders approve them. The Trustees expect that, as a result of the proposed mergers, shareholders of Municipal Opportunities Trust will benefit from participation in a larger combined fund with a lower expense ratio. Other potential benefits, and potential disadvantages, of the proposals are discussed in the prospectus/proxy statement, which we urge you to review carefully.

I'm sure that you, like most people, lead a busy life and are tempted to put this proxy aside for another day. Please don't. When shareholders do not return their proxies, their fund may have to incur the expense of follow-up solicitations. All shareholders benefit from the speedy return of proxies.

Your vote is important to us. We appreciate the time and consideration I am sure you will give this important matter. If you have questions about the proposal, please call 1-800-780-7316, or call your financial representative.

Sincerely yours,

John A. Hill
Chairman of the Trustees

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A Message from the Chairman

Dear Putnam Investment Grade Municipal Trust Shareholder:

I am writing to you to ask for your vote on an important matter that affects your investment in Putnam Investment Grade Municipal Trust (Investment Grade Municipal Trust). While you are, of course, welcome to join us at Investment Grade Municipal Trust's meeting, most shareholders cast their vote by filling out and signing the enclosed proxy card, by calling or by voting via the Internet.

We are asking for your vote on the following:

1. Approval of the proposed merger of Investment Grade Municipal Trust into Putnam Municipal Opportunities Trust (Municipal Opportunities Trust). In this merger, the common shares of Investment Grade Municipal Trust would, in effect, be exchanged, on a tax-free basis, for new common shares of Municipal Opportunities Trust with an equal net asset value, and preferred shares of Investment Grade Municipal Trust would, in effect, be exchanged for new preferred shares of Municipal Opportunities Trust with an equal aggregate liquidation preference. The proposed merger would be accomplished in two steps, each of which requires the approval of common and preferred shareholders of Investment Grade Municipal Trust:

- (a) conversion of Investment Grade Municipal Trust from a Massachusetts business trust into a Massachusetts limited liability company; and
- (b) merger of the converted Investment Grade Municipal Trust with and into Municipal Opportunities Trust.

It is anticipated that Putnam Municipal Bond Fund also will merge into Municipal Opportunities Trust, subject to certain conditions and approval by shareholders of Putnam Municipal Bond Fund. The investment objectives of Municipal Opportunities Trust, your fund and the other fund being acquired are substantially similar. All three funds are leveraged closed-end funds seeking as high a level of current income exempt from federal income tax as Putnam Investment Management, LLC, your fund's investment manager, believes is consistent with preservation of capital.

If shareholders approve the proposed mergers and certain conditions are met, the mergers are expected to take place in October 2007.

The Trustees of Investment Grade Municipal Trust have carefully reviewed the terms of the proposal and unanimously recommend that shareholders approve the merger. The Trustees expect that, as a result of the proposed merger, shareholders of Investment Grade Municipal Trust will benefit from participation in a larger combined fund with a lower expense ratio. Other potential benefits, and potential disadvantages, of the proposals are discussed in the prospectus/proxy statement, which we urge you to review carefully.

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I am sure that you, like most people, lead a busy life and are tempted to put this proxy aside for another day. Please don't. When shareholders do not return their proxies, their fund may have to incur the expense of follow-up solicitations. All shareholders benefit from the speedy return of proxies.

Your vote is important to us. We appreciate the time and consideration I am sure you will give this important matter. If you have questions about the proposal, please call 1-800-780-7316, or call your financial representative. Sincerely yours,

John A. Hill
Chairman of the Trustees

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A Message from the Chairman

Dear Putnam Municipal Bond Fund Shareholder:

I am writing to you to ask for your vote on an important matter that affects your investment in Putnam Municipal Bond Fund (Municipal Bond Fund). While you are, of course, welcome to join us at Municipal Bond Fund's meeting, most shareholders cast their vote by filling out and signing the enclosed proxy card, by calling or by voting via the Internet.

We are asking for your vote on the following:

1. Approval of the proposed merger of Municipal Bond Fund into Putnam Municipal Opportunities Trust (Municipal Opportunities Trust). In this merger, the common shares of Municipal Bond Fund would, in effect, be exchanged, on a tax-free basis, for common shares of Municipal Opportunities Trust with an equal net asset value, and preferred shares of Municipal Bond Fund would, in effect, be exchanged for preferred shares of Municipal Opportunities Trust with an equal aggregate liquidation preference. The proposed merger would be accomplished in two steps, each of which requires the approval of common and preferred shareholders of Municipal Bond Fund:

- (a) conversion of Municipal Bond Fund from a Massachusetts business trust into a Massachusetts limited liability company; and
- (b) merger of the converted Municipal Bond Fund with and into Municipal Opportunities Trust.

It is anticipated that Putnam Investment Grade Municipal Trust also will merge into Municipal Opportunities Trust, subject to certain conditions and approval by shareholders of Putnam Investment Grade Municipal Trust. The investment objectives of Municipal Opportunities Trust, your fund and the other fund being acquired are substantially similar. All three funds are leveraged closed-end funds seeking as high a level of current income exempt from federal income tax as Putnam Investment Management, LLC, your fund's investment manager, believes is consistent with preservation of capital.

If shareholders approve the proposed mergers and certain conditions are met, the mergers are expected to take place in October 2007.

The Trustees of Municipal Bond Fund have carefully reviewed the terms of the proposal and unanimously recommend that shareholders approve the merger. The Trustees expect that, as a result of the proposed merger, shareholders of Municipal Bond Fund will benefit from participation in a larger combined fund with a lower expense ratio. Other potential benefits, and potential disadvantages, of the proposals are discussed in the prospectus/proxy statement, which we urge you to review carefully.

I am sure that you, like most people, lead a busy life and are tempted to put this proxy aside for another day. Please don't. When shareholders do not return their proxies, their fund may have to incur the expense of follow-up solicitations. All shareholders benefit from the speedy return of proxies.

Your vote is important to us. We appreciate the time and consideration I am sure you will give this important matter. If you have questions about the proposal, please call 1-800-780-7316, or call your financial representative.

Sincerely yours,

John A. Hill
Chairman of the Trustees

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**PUTNAM MUNICIPAL OPPORTUNITIES TRUST
PUTNAM INVESTMENT GRADE MUNICIPAL TRUST AND
PUTNAM MUNICIPAL BOND FUND**

Notice of a Joint Special Meeting of Shareholders

This is the formal agenda for the joint special shareholder meeting of Putnam Municipal Opportunities Trust (Municipal Opportunities Trust), Putnam Investment Grade Municipal Trust (Investment Grade Municipal Trust) and Putnam Municipal Bond Fund (Municipal Bond Fund). It tells you what matters will be voted on and the time and place of the meeting, in the event that you attend in person.

To the Shareholders of Municipal Opportunities Trust:

A Special Meeting of Shareholders of Municipal Opportunities Trust will be held on October 15, 2007 at 11:00 a.m. Eastern time, on the 12th Floor of One Post Office Square, Boston, Massachusetts, to consider the following:

1. A proposal to merge each of Investment Grade Municipal Trust and Municipal Bond Fund (each such fund being referred to herein as a Merging Fund, and together, as the Merging Funds) with and into Municipal Opportunities Trust, which shall require the following shareholder actions:

a. Approval of an Agreement and Plan of Merger that provides that Investment Grade Municipal Trust will merge with and into Municipal Opportunities Trust. See page 4. (To be voted on by common and preferred shareholders.)

b. Approval of an Agreement and Plan of Merger that provides that Municipal Bond Fund will merge with and into Municipal Opportunities Trust. See page 4. (To be voted on by common and preferred shareholders.)

2 A proposal regarding the preferred shares of Municipal Opportunities Trust which shall require the following shareholder actions:

a. Approval of the authorization, creation and issuance of additional preferred shares of Municipal Opportunities Trust with an aggregate liquidation preference of \$273 million. See page 24. (To be voted on by preferred shareholders only.)

b. Approval of a two-for-one stock-split of the Series A preferred shares of Municipal Opportunities Trust and a corresponding reduction in liquidation preference from \$50,000 per share to \$25,000 per share. See page 24. (To be voted on by preferred shareholders only.)

To the Shareholders of Investment Grade Municipal Trust:

A Special Meeting of Shareholders of Investment Grade Municipal Trust will be held on October 15, 2007, at 11:00 a.m. Eastern time, on the 12th Floor of One Post Office Square, Boston, Massachusetts, to consider the following:

1. A proposal to merge Investment Grade Municipal Trust with and into Municipal Opportunities Trust, which shall require the following shareholder actions:

a. Approval of a Plan of Entity Conversion providing for the conversion of Investment Grade Municipal Trust from a Massachusetts business trust to a Massachusetts limited liability company (the Municipal Trust Conversion). See page 4. (To be voted on by common and preferred shareholders separately.)

b. Approval of an Agreement and Plan of Merger providing that, following the Municipal Trust Conversion, Investment Grade Municipal Trust will merge with and into Municipal Opportunities Trust pursuant to the Massachusetts Limited Liability Company Act. See page 4. (To be voted on by common and preferred shareholders separately.)

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To the Shareholders of Municipal Bond Fund

A Special Meeting of Shareholders of Municipal Bond Fund will be held on October 15, 2007 at 11:00 a.m. Eastern time, on the 12th Floor of One Post Office Square, Boston, Massachusetts, to consider the following:

1. A proposal to merge Municipal Bond Fund with and into Municipal Opportunities Trust, which shall require the following shareholder actions:

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a. Approval of a Plan of Entity Conversion providing for the conversion of Municipal Bond Fund from a Massachusetts business trust to a Massachusetts limited liability company (the Municipal Bond Conversion). See page 4. (To be voted on by common and preferred shareholders separately.)

b. Approval of an Agreement and Plan of Merger providing that, following the Municipal Bond Conversion, Municipal Bond Fund will merge with and into Municipal Opportunities Trust pursuant to the Massachusetts Limited Liability Company Act. See page 4. (To be voted on by common and preferred shareholders separately.)

By Judith Cohen, Clerk, on behalf of the Trustees:

John A. Hill, Chairman
Jameson A. Baxter, Vice Chairman
Charles E. Haldeman, Jr., President

Charles B. Curtis
Robert J. Darretta
Myra R. Drucker
Paul L. Joskow
Elizabeth T. Kennan
Kenneth R. Leibler
Robert E. Patterson
George Putnam, III
W. Thomas Stephens
Richard B. Worley

THE TRUSTEES URGE YOU TO MARK, SIGN, DATE AND MAIL THE ENCLOSED PROXY IN THE POSTAGE-PAID ENVELOPE PROVIDED OR, IF YOU HOLD COMMON SHARES OF A FUND, TO RECORD YOUR VOTING INSTRUCTIONS BY AUTOMATED TELEPHONE OR VIA THE INTERNET SO THAT YOU WILL BE REPRESENTED AT THE MEETING.

September 13, 2007

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**Prospectus/Proxy Statement
September 13, 2007**

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Mergers of each of:

Putnam Investment Grade Municipal Trust

(**Investment Grade Municipal Trust**)

One Post Office Square

Boston, Massachusetts 02109

(617) 292-1000

and

Putnam Municipal Bond Fund (Municipal Bond Fund)

One Post Office Square

Boston, Massachusetts 02109

(617) 292-1000

With and into:

Putnam Municipal Opportunities Trust

(**Municipal Opportunities**)

One Post Office Square

Boston, Massachusetts 02109

(617) 292-1000

This Prospectus/Proxy Statement relates to the proposed merger of each of (a) Investment Grade Municipal Trust and (b) Municipal Bond Fund (each such fund being referred to herein as a Merging Fund, and together, as the Merging Funds) with and into Municipal Opportunities Trust. As a result of the proposed mergers, each holder of a Merging Fund's common shares will receive a number of full and fractional common shares of Municipal Opportunities Trust equal in value at the date of the exchange to the total value of the shareholder's common shares of the Merging Fund. Similarly, each holder of a Merging Fund's preferred shares will receive preferred shares of Municipal Opportunities Trust with an equal aggregate liquidation preference.

The Notice of Special Joint Meeting, the proxy card and this Prospectus/Proxy Statement are being mailed on or about September 13, 2007. The Prospectus/Proxy Statement explains concisely what you should know before voting on the matters described herein or investing in Municipal Opportunities Trust, a non-diversified, closed-end management investment company. Please read this Prospectus/Proxy Statement and keep it for future reference.

The statement of additional information relating to the proposed mergers, dated September 13, 2007 (the Merger SAI), along with the other documents identified below, has been filed with the Securities and Exchange Commission (the SEC) and is incorporated by reference into this Prospectus/Proxy Statement. Shareholders may obtain free copies of any document incorporated by reference into this Prospectus/Proxy Statement, request other information about the funds or make shareholder inquiries by contacting their financial representative, by visiting the Putnam Investments website at www.putnam.com, or by calling Putnam Investments toll-free at 1-800-225-1581. This information may also be obtained by contacting the SEC, as described below.

The securities offered by this Prospectus/Proxy Statement have not been approved or disapproved by the SEC, nor has the SEC passed upon the accuracy or adequacy of this Prospectus/Proxy Statement. Any representation to the contrary is a criminal offense.

The following documents have been filed with the SEC and are incorporated by reference into this Prospectus/Proxy Statement:

(i) the Merger SAI;

(ii) the Performance Summary, Report of Independent Registered Public Accounting Firm and financial statements included in Municipal Opportunities Trust's Annual Report to Shareholders for the fiscal year ended April 30, 2007;

(iii) the Performance Summary, Report of Independent Registered Public Accounting Firm and financial statements included in Investment Grade Municipal Trust's Annual Report to Shareholders for the fiscal year ended November 30, 2006;

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(iv) the unaudited financial statements included in Investment Grade Municipal Trust's Semiannual Report to Shareholders for the period ended May 31, 2007; and

(v) the Performance Summary, Report of Independent Registered Public Accounting Firm and financial statements included in Municipal Bond Fund's Annual Report to Shareholders for the fiscal year ended April 30, 2007.

Shares of Municipal Opportunities Trust are not deposits or obligations of, or guaranteed or endorsed by, any financial institution, are not insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other agency, and involve risk, including the possible loss of principal amount invested.

This document will give you the information you need to vote on the proposals. Much of the information contained in this Prospectus/Proxy statement is required by SEC rules; some of it is technical. If there is anything you don't understand, please contact us at our toll-free number, 1-800-780-7316, or call your financial representative. Like the Merging Funds, Municipal Opportunities Trust is in the family of funds managed by Putnam Investment Management, LLC (Putnam Management). Municipal Opportunities Trust and the Merging Funds are collectively referred to herein as the funds, and each is referred to individually as a fund.

The common shares of Municipal Opportunities Trust, Investment Grade Municipal Trust and Municipal Bond Fund are listed on the New York Stock Exchange (the NYSE) under the symbols PMO, PGM and PMG, respectively. You may inspect reports, proxy material and other information concerning each of the funds at the NYSE.

The funds are subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the 1934 Act) and the Investment Company Act of 1940, as amended (the 1940 Act), and, as a result, file reports and other information with the SEC. You may review and copy information about the funds, including the Merger SAI, at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may call the SEC at 1-202-551-8090 for information about the operation of the public reference room. You may obtain copies of this information, with payment of a duplication fee, by electronic request at the following email address: publicinfo@sec.gov, or by writing the SEC's Public Reference Section, Washington, D.C. 20549. You may also access reports and other information about the funds on the EDGAR Database on the SEC's Internet site at <http://www.sec.gov>.

I. PROPOSAL REGARDING APPROVAL OF MERGERS AND RELATED TRANSACTIONS

A. Questions and Answers. The responses to the questions that follow provide an overview of key points typically of concern to shareholders considering a proposed merger between closed-end funds. These responses are qualified in their entirety by the remainder of the Prospectus/Proxy Statement, which contains additional information and further details regarding the proposed mergers.

1. What is being proposed?

The Trustees of the funds are recommending that shareholders approve the transactions whereby each Merging Fund will be merged with and into Municipal Opportunities Trust, as contemplated by the transaction documents described in more detail under Information about the Proposed Mergers Merger Documents. If approved by shareholders, the assets and liabilities of each Merging Fund will become assets and liabilities of Municipal Opportunities Trust, and the outstanding common and preferred shares of each Merging Fund will, in effect, be exchanged for common and preferred shares, respectively, of Municipal Opportunities Trust (the Common Merger Shares and the Preferred Merger Shares, respectively, and together, the Merger Shares) with an aggregate value equal to the value of the relevant Merging Fund's assets net of liabilities (other than liabilities consisting of the aggregate liquidation preference of the Merging Fund's outstanding preferred shares).

2. What will happen to my shares as a result of the merger?

If you are a shareholder of a Merging Fund, your common shares of the Merging Fund will, in effect, be exchanged on a tax-free basis for common shares of Municipal Opportunities Trust with an equal aggregate net asset value on the date of the merger. It is possible, however, that the market value of such shares may differ. See the response to question 13 below. Your preferred shares of the Merging Fund will, in effect, be exchanged on a tax-free basis for preferred shares of Municipal Opportunities Trust with an equal aggregate liquidation preference and substantially the same terms.

If you are a shareholder of Municipal Opportunities Trust, your common and preferred shares of Municipal Opportunities Trust will not be affected by the merger, but will represent interests in a larger fund pursuing the same investment goals, strategies and policies and subject to similar restrictions. The combined fund will have a leverage ratio similar to that of Municipal Opportunities Trust. It is anticipated, however, that based on Putnam Management's analysis of conditions in the tax-exempt securities market, including expectations regarding movements of short-, medium- and long-term interest rates, and of the use of leverage by comparable tax-exempt closed-end funds, Putnam Management will

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recommend that the Trustees of Municipal Opportunities Trust approve the involuntary redemption of a portion of Municipal Opportunities Trust's preferred shares following the consummation of the mergers to reduce the combined fund's leverage ratio. As of the date of this Prospectus/Proxy Statement, the Trustees have not approved the proposed redemption.

3. Why are the Trustees proposing the mergers?

As discussed in more detail below, the funds have substantially similar investment goals and strategies and have similar policies and restrictions. In addition, there is substantial overlap in the composition of the funds' portfolios. The Trustees are recommending the mergers to allow shareholders to benefit from the larger asset size and lower expense ratio of the combined fund, without significantly changing the nature of their investment. The same management team that is responsible for day-to-day management of each fund will continue to be responsible for the management of the combined fund.

The Trustees of Putnam Funds, who serve as Trustees of each fund involved in the proposed mergers, have carefully considered the anticipated benefits and costs of the proposed mergers to shareholders of the funds. The Trustees of the funds, including all of the Trustees who are not interested persons (as defined in the 1940 Act) of the funds or Putnam Management (referred to as Independent Trustees throughout this Prospectus/Proxy Statement), have determined that the proposed mergers are in the best interests of shareholders of the funds and that the interests of the existing shareholders of each fund would not be diluted by the proposed mergers. For a detailed discussion of the Trustees' deliberations, see Information about the Proposed Mergers - Trustees' Considerations Relating to Proposed Mergers. **The Trustees unanimously recommend that shareholders vote FOR approval of the proposed mergers.**

4. What happens if shareholders approve the proposed merger of one Merging Fund with and into Municipal Opportunities Trust, but not the other?

An unfavorable vote on the proposed merger of one Merging Fund will not affect the consummation of the proposed merger by the other Merging Fund, if such merger is approved by the shareholders of such other Merging Fund and Municipal Opportunities Trust. The consummation of the proposed mergers is also subject to certain other conditions discussed under Information about the Proposed Mergers - General.

5. How do the investment goals, strategies, policies and restrictions of the funds compare?

Investment Goals and Strategies

The investment goals and strategies of the funds are substantially similar, as described in the following table:

	Municipal Opportunities Trust	Investment Grade Municipal Trust	Municipal Bond Fund
Investment Goal	Seeks to provide as high a level of current income free from federal income tax as Putnam Management believes is consistent with the preservation of capital.	Seeks to provide as high a level of current income free from federal income tax as is believed to be consistent with the preservation of capital.	Seeks to provide as high a level of current income free from federal income tax as Putnam Management believes is consistent with the preservation of capital.
Investment Strategies	To invest at least 80% of its total assets in investment grade municipal bonds.	To invest at least 80% of its total assets in tax-exempt investment grade municipal securities.	To invest at least 80% of its total assets in a diversified portfolio of investment grade tax-exempt securities that are not perceived as involving risk to principal.

Investment Policies and Restrictions

The funds have similar investment policies and restrictions. Among the important differences, however, are restrictions relating to borrowing, voting securities and diversification. The material differences between the investment restrictions of Municipal Opportunities Trust and each Merging Fund are explained in more detail below under Information about the Funds Investment Restrictions. Putnam Management does not anticipate that a significant portion of either Merging Fund's portfolio securities will be disposed of in connection with the applicable merger.

6. How do the management fees and other expenses of the funds compare, and what are they estimated to be following the mergers?

The following table summarizes the fees and expenses you may pay when investing in the funds, the annual operating expenses for each fund, and the *pro forma* expenses of Municipal Opportunities Trust, assuming consummation of both proposed mergers and based on *pro forma* combined assets as of April 30, 2007 (the Municipal Opportunities Trust's most recent fiscal year end). As described herein, an unfavorable vote by either Merging Fund will not affect the consummation of the proposed merger by the other Merging Fund if approved by shareholders of such other Merging Fund and Municipal Opportunities Trust; therefore, the table also summarizes the fees and expenses you may pay (a) assuming consummation of the merger of Investment Grade Municipal Trust with and into Municipal Opportunities Trust only, based on *pro forma* combined assets of Investment Grade Municipal Trust and Municipal Opportunities Trust as of April 30, 2007, and (b) assuming consummation of the merger of Municipal Bond Fund with and into Municipal Opportunities Trust only, based on *pro forma* combined assets of Municipal Bond Fund and Municipal Opportunities Trust as of April 30, 2007.

Expenses for each fund are based on amounts incurred during the fiscal year ended April 30, 2007 for each of Municipal Opportunities Trust and Municipal Bond Fund and for the fiscal year ended November 30, 2006 for Investment Grade Municipal Trust. Please see Information about the Proposed Mergers Trustees Considerations Related to the Proposed Mergers for more information on the expenses for each fund.

	Municipal Opportunities Trust	Investment Grade Municipal Trust	Municipal Bond Fund	Municipal Opportunities Trust (<i>pro forma</i> combined with Investment Grade Municipal Trust)	Municipal Opportunities Trust (<i>pro forma</i> combined with Municipal Bond Fund)	Municipal Opportunities Trust (<i>pro forma</i> combined with both Merging Funds)
Shareholder transaction expenses						
Maximum Sales Charge imposed on purchases (as a percentage of offering price)	None(a)	None(a)	None(a)	None(a)	None(a)	None(a)
Dividend Reinvestment Plan	None(a)	None(a)	None(a)	None(a)	None(a)	None(a)

	Municipal Opportunities Trust	Investment Grade Municipal Trust	Municipal Bond Fund	Municipal Opportunities Trust (<i>pro forma</i> combined with Investment Grade Municipal Trust)**	Municipal Opportunities Trust (<i>pro forma</i> combined with Municipal Bond Fund)**	Municipal Opportunities Trust (<i>pro forma</i> combined with both Merging Funds)**
Annual Fund Operating Expenses (Expenses that are deducted from fund assets)*						

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Management Fees***	0.88%*	0.90%*	0.86%*	0.89%*	0.88%*	0.88%*
Other Expenses	0.40%	0.38%	0.39%	0.32%	0.30%	0.30%
Total Annual Fund						
Operating Expenses****	1.28%	1.28%	1.25%	1.21%	1.18%	1.18%

(a) Shares of each fund purchased on the secondary market are not subject to sales charges, but may be subject to brokerage commissions or other charges. The table does not include any underwriting commission paid by shareholders in the initial offering of each fund.

(b) Each participant in a fund's dividend reinvestment plan pays a proportionate share of the brokerage commissions incurred with respect to open market purchases in connection with such plan. With respect to each fund's last fiscal year, participants in the Plan incurred brokerage commissions representing \$0.03 per share.

Beginning with dividends declared in October 2007, each Merging Fund's Plan has been suspended indefinitely. For the fiscal year ended April 30, 2007.

For the fiscal year ended November 30, 2006.

* Includes management fees on preferred share assets. Management fees for Investment Grade Municipal Trust have been restated to reflect fees payable under the Management Contract that became effective on January 1, 2006.

** Does not reflect non-recurring expenses that each fund is expected to incur in connection with the mergers. If such expenses had been reflected, other expenses and Total Annual Fund Operating Expenses would have been 0.40% and 1.29%, respectively, for Municipal Opportunities Trust *pro forma* combined with Investment Grade Municipal Trust only; 0.38% and 1.26%, respectively, for Municipal Opportunities Trust *pro forma* combined with Municipal Bond Fund only; and 0.38% and 1.26%, respectively, for Municipal Opportunities Trust *pro forma* combined with both Merging Funds.

*** Although the management fee rates will not change in connection with the merger, Municipal Opportunities Trust *pro forma* combined with both Merging Funds would have proportionately more leverage through preferred shares than Municipal Bond Fund and proportionately less leverage than Investment Grade Municipal Trust. As a result, the management fees of Municipal Opportunities Trust on a *pro forma* combined basis with Municipal Bond Fund only and of Municipal Opportunities Trust on a *pro forma* combined basis with both Merging Funds (in each case, expressed as a percentage of assets attributable to common shares) are expected to be higher than the management fees currently incurred by Municipal Bond Fund. Conversely, the management fees of Municipal Opportunities Trust *pro forma* combined with Investment Grade Municipal Trust only and of Municipal Opportunities Trust *pro forma* combined with both Merging Funds (in each case, expressed as a percentage of assets attributable to common shares) are expected to be lower than the management fees currently incurred by Investment Grade Municipal Trust. In addition, the expenses of the funds in the table above are calculated as of different dates (each fund's fiscal year end). Please see Trustees' Considerations Related to the Proposed Mergers' Operating Expenses for a comparison of expenses as of April 30, 2007.

**** Expressed as a percentage of assets attributable to common shares.

The tables are provided to help you understand the expenses of investing in the funds and your share of the operating expenses that each fund incurs and that Putnam Management expects the combined fund to incur in the first year following the merger. Please note that, in the expense table, it is assumed that all dividends and distributions are reinvested at net asset value, although some participants in the funds' Dividend Reinvestment Plan may receive shares at the market price in effect at that time, if the market price is below the per-share net asset value.

Examples

These examples translate the expenses shown in the preceding table into dollar amounts. By doing this, you can more easily compare the cost of investing in the funds. The examples make certain assumptions. They assume that you invest \$1,000 in common shares of a fund for the time periods shown and then redeem all your shares at the end of those periods. They also assume, as required by the SEC, a 5% return on your investment each year and that a fund's operating expenses remain the same. The examples are hypothetical; your actual costs and returns may be higher or lower.

1 Year 3 Years 5 Years 10 Years

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Municipal Opportunities Trust	\$13	\$41	\$70	\$155
Investment Grade Municipal Trust	\$13	\$41	\$70	\$155
Municipal Bond Fund	\$13	\$40	\$69	\$151
Municipal Opportunities Trust (<i>pro forma</i> combined with Investment Grade Municipal Trust only)	\$12	\$38	\$66	\$147
Municipal Opportunities Trust (<i>pro forma</i> combined with Municipal Bond Fund only)	\$12	\$37	\$65	\$143
Municipal Opportunities Trust (<i>pro forma</i> combined with both Merging Funds)	\$12	\$37	\$65	\$143

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7. How does the investment performance of the funds compare?

The following information provides some indication of each fund's risks. The chart shows year-to-year changes in the net asset value performance of each fund's common shares. The table following the chart compares each fund's performance to that of a broad measure of market performance. Of course, a fund's past performance is not an indication of future performance.

CALENDAR YEAR TOTAL RETURNS

Municipal Opportunities Trust

Investment Grade Municipal Trust

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Municipal Bond Fund

Performance figures in the bar chart do not reflect the impact of sales charges. If they did, performance would be less than that shown.

Year-to-date performance through June 30, 2007 for Municipal Opportunities Trust was 0.86% (at net asset value) and 0.76% (at market price), for Investment Grade Municipal Trust was 0.91% (at net asset value) and 1.82% (at market price), and for Municipal Bond Fund was 0.87% (at net asset value) and 1.93% (at market price). During the periods shown in the bar chart, Municipal Opportunities Trust's highest return at net asset value for a quarter was 5.39% (quarter ended 6/30/03) and lowest return for a quarter was 3.15% (quarter ended 6/30/04); Investment Grade Municipal Trust's highest return at net asset value for a quarter was 6.03% (quarter ended 6/30/03) and lowest return for a quarter was 3.54% (quarter ended 6/30/04); and Municipal Bond Fund's highest return at net asset value for a quarter was 7.00% (quarter ended 6/30/03) and lowest return for a quarter was 3.52% (quarter ended 6/30/04).

Average Annual Total Returns

(for periods ended 4/30/07)

	Past 1 year	Past 5 years	Past 10 years
Municipal Opportunities Trust			
Common shares (at net asset value)	7.75%	6.97%	6.46%
Common shares (at market price)	9.64%	6.14%	5.42%
Investment Grade Municipal Trust			
Common shares (at net asset value)	7.51%	7.13%	6.43%
Common shares (at market price)	13.54%	5.25%	3.85%
Municipal Bond Fund			
Common shares (at net asset value)	6.94%	7.54%	6.71%
Common shares (at market price)	9.65%	7.22%	5.46%
Lehman Municipal Bond Index (no deduction for fees, expenses or taxes)			
	5.78%	5.16%	5.81%

Like the bar chart above, the information does not reflect any brokerage commissions associated with the purchase of shares of the funds on the NYSE or any sales charges paid in the funds' initial public offerings. Each fund's performance is compared to the Lehman Municipal Bond Index, an unmanaged index of long-term, fixed-rate, investment-grade, tax-exempt bonds. It is not possible to invest directly in the index.

8. What are the federal income tax consequences of the proposed mergers?

For federal income tax purposes, no gain or loss is expected to be recognized by the Merging Funds or their shareholders as a result of the proposed mergers, and the aggregate tax basis of the Merger Shares received by each shareholder of the Merging Funds in the mergers will be the same as the aggregate tax basis

of the shareholder's Merging Fund shares. However, because the mergers will end the tax year of the Merging Funds, the mergers may accelerate distributions from the Merging Funds to their shareholders. At any time prior to the consummation of the merger, a shareholder may sell shares on the NYSE, likely resulting in recognition of gain or loss to such shareholder for federal income tax purposes. Certain other tax consequences are discussed under Information about the Proposed Mergers Federal Income Tax Consequences.

9. Will my dividend be affected by the proposed mergers?

The Trustees do not expect that the shareholders of the funds will see any material change in the dividends they receive as a result of the proposed mergers, although there can be no assurance that this will be the case. As of April 30, 2007, the current dividend rates for common shares of Municipal Opportunities Trust, Investment Grade Municipal Trust and Municipal Bond Fund were 4.36%, 4.47% and 4.43%, respectively; the estimated dividend rate for common merger shares of Municipal Opportunities Trust on a *pro forma* basis, after giving effect to the merger of Investment Grade Municipal Trust only, would be 4.46%; the estimated dividend rate for Municipal Opportunities Trust on a *pro forma* basis, after giving effect to the merger of Municipal Bond Fund only, would be 4.45%; and the estimated dividend for Municipal Opportunities Trust on a *pro forma* basis, after giving effect to both mergers, would be 4.49%. As of June 29, 2007, the SEC yields for common shares of Municipal Opportunities Trust, Investment Grade Municipal Trust and Municipal Bond Fund were 3.43%, 3.59% and 3.48%, respectively. Over the longer term, the level of dividends will depend on market conditions, the amount of the preferred shares Municipal Opportunities Trust may from time to time have outstanding and the ability of Putnam Management to invest Municipal Opportunities Trust's assets, including those received from the Merging Funds in the mergers, in securities meeting Municipal Opportunities Trust's investment goal and policies.

Municipal Opportunities Trust will not permit any holder of certificated shares of a Merging Fund at the time of the merger to receive cash dividends or other distributions, receive certificates for Common Merger Shares or pledge Common Merger Shares until the certificates for shares of the Merging Fund have been surrendered to Putnam Fiduciary Trust Company, the funds' transfer agent, or, in the case of lost certificates, until an adequate surety bond has been posted. To obtain information on how to return your share certificates for a Merging Fund if and when the applicable merger is completed, please call Putnam Investor Services, a division of Putnam Fiduciary Trust Company, at 1-800-225-1581.

If a shareholder is not, for the reasons above, permitted to receive cash dividends or other distributions on Common Merger Shares, Municipal Opportunities Trust will pay all such dividends and distributions in additional shares, notwithstanding any election the shareholder may have made previously to receive dividends and distributions on shares of a Merging Fund in cash.

10. Do the procedures for purchasing and selling shares of the funds differ?

The procedures for purchasing and selling common shares of each fund are identical and are not expected to change. As closed-end funds, the funds do not redeem outstanding shares or continuously offer shares. The funds' shares currently may be bought and sold at prevailing market prices on the NYSE. Municipal Opportunities Trust will apply to list the Common Merger Shares on the NYSE. It is a condition to the closing of the proposed mergers that the Common Merger Shares be accepted for listing.

11. How will I be notified of the outcome of the proposed mergers?

If you are a Merging Fund shareholder and your fund's merger is approved, you will receive confirmation after the merger is completed, indicating your new account number, and the number of shares of Municipal Opportunities Trust you are receiving. Shareholders of Municipal Opportunities Trust will be notified of the mergers in the fund's next annual or semi-annual report. To obtain information on how to return any share certificates you have for a Merging Fund, please call Putnam Investor Services at 1-800-225-1581.

If either or both proposed mergers are not approved, shareholders of Municipal Opportunities Trust and of the applicable Merging Fund(s) will be notified and the results of the meeting will be provided in the next annual or semi-annual report of each fund.

12. Will the number of shares I own change?

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If you hold common shares of either Merging Fund, the number of common shares you own will change but the total net asset value of the common shares of Municipal Opportunities Trust you receive will equal the total net asset value of the common shares of the relevant Merging Fund that you hold at the time each Merging Fund's shares are valued for purposes of the merger. If you are a shareholder of Municipal

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Opportunities Trust common shares, the number of Municipal Opportunities Trust shares you own will not change. Even though the net asset value per common share of each fund is different, the total net asset value of a common shareholder's holdings will not change as a result of the merger. Of course, the Common Merger Shares may trade at a discount from net asset value, which might be greater or less than the trading discount of each Merging Fund's common shares at the time of the merger.

If you hold preferred shares of Municipal Bond Fund, it is anticipated that you will receive one preferred share of Municipal Opportunities Trust for each preferred share of Municipal Bond Fund you hold. If you hold preferred shares of Investment Grade Municipal Trust, it is anticipated that you will receive four preferred shares of Municipal Opportunities Trust for each preferred share you currently own as a result of the difference in liquidation preference for preferred shares of Municipal Opportunities Trust. The preferred shares you receive will bear the same aggregate liquidation preference and dividend period as the shares you currently own.

If you hold Series B or Series C preferred shares of Municipal Opportunities Trust, the number of preferred shares you own will not change as a result of the proposed mergers. If the proposed two-for-one stock-split and corresponding reduction in the liquidation preference of Series A preferred shares is approved, the holders of Municipal Opportunities Trust's Series A preferred shares will receive two shares for every share they currently own. See Proposal Regarding Preferred Shares of Municipal Opportunities Trust below. Regardless of which series you own, the aggregate liquidation preference of the preferred shares of Municipal Opportunities Trust you own will remain the same.

13. Will the market value of my investment change?

Common shares of each fund are expected to continue to be traded on the NYSE until the time of the mergers. Shares of the funds may at times trade at a market price greater or less than net asset value. During recent years, shares of each fund have consistently traded at a discount to net asset value. Depending on market conditions immediately prior to the exchange, common shares of Municipal Opportunities Trust may trade at a greater or smaller discount or premium to net asset value than common shares of a Merging Fund, which would cause the Common Merger Shares to have a market value that is greater or less than the current market value of the common shares of the Merging Fund.

14. Who will be paying the expenses associated with the proposed mergers?

All fees and expenses, including legal and accounting expenses or other similar expenses incurred in connection with the consummation of the proposed mergers, will be allocated ratably among the three funds in proportion to their net assets, whether or not the mergers are consummated, except that the costs of proxy materials and proxy solicitations for each fund will be borne by that fund only and the costs of SEC filings will be borne by Municipal Opportunities Trust only. See Trustees Considerations Relating to the Proposed Mergers Transaction costs of the proposed mergers for more information.

15. Why is the vote of Municipal Opportunities Trust's shareholders being solicited?

Although Municipal Opportunities Trust will continue its legal existence and operations as presently conducted, we are required by the fund's Agreement and Declaration of Trust and by the rules of the NYSE to solicit the vote of Municipal Opportunities Trust's shareholders in this matter. In addition, because each proposed merger involves the issuance by Municipal Opportunities Trust of preferred shares (the Preferred Merger Shares) and a two-for-one stock-split for Series A preferred shares of Municipal Opportunities Trust and a corresponding reduction in liquidation preference. Municipal Opportunities Trust's Bylaws require the approval of existing preferred shareholders of Municipal Opportunities Trust of such proposals. Municipal Opportunities Trust's Bylaws will be amended to reflect that the Preferred Merger Shares have been authorized and stock-split regarding Series A preferred shares has been approved.

16. What percentage of shareholders' votes are required to approve the proposed mergers?

Each proposed merger will not occur unless a majority of the outstanding common and preferred shares of beneficial interest of the applicable Merging Fund entitled to vote (each class voting separately) approve the relevant Conversion (as hereinafter defined) and the preferred shares of beneficial interest of Municipal Opportunities Trust have approved the authorization of Preferred Merger Shares. Assuming such approvals, each proposed merger further requires the yes vote of the holders of:

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a majority of the outstanding common and preferred shares of beneficial interest of Municipal Opportunities Trust entitled to vote (voting together), and

a majority of the outstanding common and preferred shares of beneficial interest of the applicable Merging Fund entitled to vote (each class voting separately).

B. Risk Factors

What are the main investment strategies and related risks of Municipal Opportunities Trust and how do they compare with those of each Merging Fund?

Because the funds share substantially similar investment goals and strategies and have similar policies and restrictions (in each case, except as otherwise noted in this Prospectus/Proxy Statement), the risks described below for an investment in Municipal Opportunities Trust are similar to the risks of an investment in either Merging Fund. Municipal Opportunities Trust, unlike each Merging Fund, is a non-diversified investment company, and therefore subject to additional risks.

Any investment carries with it some level of risk that generally reflects its potential for reward. Putnam Management will consider, among other things, credit, interest rate and prepayment risks as well as general market conditions when deciding whether to buy or sell investments. A description of the risks associated with the funds' main investment strategies follows. Unless otherwise indicated, each risk applies equally to Municipal Opportunities Trust and each Merging Fund.

Tax-exempt investments. These investments are issued by public authorities to raise money for public purposes, such as loans for the construction of housing, schools or hospitals, or to provide temporary financing in anticipation of the receipt of taxes and other revenue. They also include private activity obligations of public authorities to finance privately owned or operated facilities. Changes in law or adverse determinations by the Internal Revenue Service (the "Service") or a state authority could make the income from some of these obligations taxable.

Interest income from private activity bonds may be subject to Federal Alternative Minimum Tax ("AMT") for individuals. The fund can include these investments for the purpose of complying with the 80% investment policy described above. Corporate shareholders will be required to include all tax-exempt interest dividends in determining their federal AMT. For more information, including possible state, local and other taxes, contact your tax advisor.

General obligations. These are backed by the issuer's authority to levy taxes and are considered an obligation of the issuer. They are payable from the issuer's general unrestricted revenues, although payment may depend upon government appropriation or aid from other governments. These investments may be vulnerable to legal limits on a government's power to raise revenue or increase taxes, as well as economic or other developments that can reduce revenues.

Special revenue obligations. These are payable from revenue earned by a particular project or other revenue source. They include private activity bonds such as industrial development bonds, which are paid only from the revenues of the private owners or operators of the facilities. Investors can look only to the revenue generated by the project or the private company operating the project rather than the credit of the state or local government authority issuing the bonds. Special revenue obligations are typically subject to greater credit risk than general obligations because of the relatively limited source of revenue.

The Supreme Court has agreed to hear an appeal of a state-court decision that might significantly affect how states tax in-state and out-of-state municipal bonds. A Kentucky state court held that a Kentucky law violates the U.S. Constitution by treating, for Kentucky state tax purposes, the interest income on in-state municipal bonds differently from the income on out-of-state municipal bonds. If the Supreme Court affirms this holding, most states likely will revisit the way in which they treat the interest on municipal bonds, and this has the potential to increase significantly the amount of state tax paid by shareholders on exempt-interest dividends derived from obligations issued by government agencies located in their state of residence. The Supreme Court has announced oral arguments on this case for the fall of 2007 and would likely issue a decision sometime thereafter. You should consult your tax advisor to discuss the tax consequences of your investment in the Fund.

Interest rate risk. The values of bonds and other debt instruments usually rise and fall in response to changes in interest rates. Declining interest rates generally increase the values of existing debt instruments, and rising interest rates generally decrease the values of existing debt instruments. Changes in a debt instrument's value usually will not affect the amount of interest income paid to the fund, but will affect the value of the fund's shares. Interest rate risk is generally greater for investments with longer maturities.

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Some investments give the issuer the option to call or redeem an investment before its maturity date. If an issuer calls or redeems an investment during a time of declining interest rates, the fund might have to reinvest the proceeds in an investment offering a lower yield, and therefore might not benefit from any increase in value as a result of declining interest rates.

Premium investments offer coupon rates higher than prevailing market rates. However, they involve a greater risk of loss, because their values tend to decline over time.

Credit risk. Investors normally expect to be compensated in proportion to the risk they are assuming. Thus, debt of issuers with poor credit prospects usually offers higher yields than debt of issuers with more secure credit. Higher-rated investments generally have lower credit risk.

Municipal Opportunities Trust invests 80% of its total assets in investment grade municipal bonds. Investment grade municipal bonds are rated at least BBB or its equivalent at the time of purchase by a nationally recognized securities rating agency or are unrated investments Putnam Management believes are of comparable quality. The fund may invest up to 20% of its total assets in securities rated at least BB/Ba by a nationally recognized securities rating agency or unrated investments that Putnam Management believes are of comparable quality. The fund will not necessarily sell an investment if its rating is reduced after purchase.

Investments rated below BBB by S&P or its equivalent are below investment grade (sometimes referred to as junk bonds). This rating reflects a greater possibility that the issuers may be unable to make timely payments of interest and principal and thus default. If this happens, or is perceived as likely to happen, the values of those investments will be more volatile and are likely to fall. A default or expected default could also make it difficult for Putnam Management to sell investments at prices approximating the values Putnam Management had previously placed on them. Tax-exempt debt, particularly lower-rated tax-exempt debt, usually has a more limited market than taxable debt, which may at times make it difficult for us to buy or sell certain investments or to establish their fair value. Credit risk is generally greater for investments that are issued at less than their face value and that are required to make interest payments only at maturity rather than at intervals during the life of the investment.

The fund may purchase investments that are insured as to the payment of principal and interest in the event the issuer defaults. Any reduction in the claims paying ability of one of the few insurers that provide this insurance may adversely affect the value of insured investments and, consequently, the value of the fund's shares.

Focused investment risk. The fund may make significant investments in a segment of the tax-exempt debt market, such as tobacco settlement bonds or revenue bonds for health care facilities, housing or airports. These investments may cause the value of fund's shares to change more than the value of shares of funds that invest in a greater variety of investments. Certain events may adversely affect all investments within a particular market segment. Examples include legislation or court decisions, concerns about pending legislation or court decisions, or lower demand for the services or products provided by a particular market segment.

Investing mostly in tax-exempt investments of a single state makes the fund more vulnerable to that state's economy and to factors affecting tax-exempt issuers in that state than would be true for a more geographically diversified fund. These risks include:

the inability or perceived inability of a government authority to collect sufficient tax or other revenues to meet its payment obligations,

the introduction of constitutional or statutory limits on a tax-exempt issuer's ability to raise revenues or increase taxes, and

economic or demographic factors that may cause a decrease in tax or other revenues for a government authority or for private operators of publicly financed facilities.

At times, the fund and other accounts that Putnam Management and its affiliates manage may own all or most of the debt of a particular issuer. This concentration of ownership may make it more difficult to sell, or to determine the fair value of, these investments.

Non-diversification. Unlike each Merging Fund, Municipal Opportunities Trust is a non-diversified investment company under the 1940 Act. This means that Municipal Opportunities Trust may invest more of its assets in the securities of fewer issuers than a diversified fund. Under the Internal Revenue Code (the Code), the fund generally may not invest more than 25% of its assets in securities of any one issuer, other than U.S. government securities. Also with respect to 50% of its total assets, the fund may not invest more than 5% of its total assets in the securities of any one issuer, other than U.S. government securities. The fund is more likely to invest a higher percentage of its assets in the securities of a single issuer or of a limited number of issuers than a diversified investment company that

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invests in a broader range of securities. This practice involves an increased risk of loss to the fund if the issuers were to be unable to make interest or principal payments or if the market values of such securities were to decline.

Derivatives. The fund may engage in a variety of transactions involving derivatives, such as futures, options, swap contracts and inverse floaters. Derivatives are financial instruments whose value depends upon, or is derived from, the value of something else, such as one or more underlying investments, pools of investments or indexes. The fund may use derivatives both for hedging and non-hedging purposes, such as to modify the behavior of an investment so it responds differently than it would otherwise to changes in a particular interest rate. For example, derivatives may increase or decrease an investment's exposure to long- or short-term interest rates or cause the value of an investment to move in the opposite direction from prevailing short-term or long-term interest rates. The fund may also use derivatives as a substitute for direct investments in the securities of one or more issuers. However, the fund may also choose not to use derivatives, based on Putnam Management's evaluation of market conditions or the availability of suitable derivatives. Investments in derivatives may be applied toward meeting a requirement to invest in a particular kind of investment if the derivatives have economic characteristics similar to that investment.

Derivatives involve special risks and may result in losses. The successful use of derivatives depends on Putnam Management's ability to manage these sophisticated instruments. Some derivatives are leveraged, which means that they provide a fund with investment exposure greater than the value of the fund's investment in the derivatives. The risk of loss from a short derivatives position is theoretically unlimited. As a result, these derivatives may magnify or otherwise increase investment losses to the fund. The prices of derivatives may move in unexpected ways due to the use of leverage or other factors, especially in unusual market conditions, and may result in increased volatility.

Other risks arise from the potential inability to terminate or sell derivatives positions. A liquid secondary market may not always exist for the fund's derivatives positions at any time. In fact, many over-the-counter instruments (investments not traded on an exchange) will not be liquid. Over-the-counter instruments also involve the risk that the other party to the transaction will not meet its obligations. For further information about the risks of derivatives, see the Merger SAI.

Leverage. Each fund uses leverage from the sale of preferred shares in an effort to increase the net income of the fund available for distribution to common shareholders. Subject to borrowing limitations set forth in the fund's investment restrictions and under the 1940 Act, the fund may also leverage the fund's portfolio by borrowing money and by utilizing reverse repurchase agreements and other derivative instruments, although these forms of leverage are generally used, if at all, as a substitute for, rather than in addition to, the leverage obtained through the sale of preferred shares. There are risks and possible disadvantages associated with leveraging, including higher volatility of the fund's net asset value and market value of its common shares and the possibility that, due to interest rate or other market changes, the rate at which the fund is required to pay dividends on any preferred shares might at times exceed the fund's investment return on the proceeds of the preferred shares.

Successful use of a leveraging strategy may depend on Putnam Management's ability to correctly predict interest rates and market movements, and there is no assurance that a leveraging strategy will be successful during any period in which it is employed.

So long as the increase in the fund's net return on its investment portfolio as a result of the leverage provided by preferred shares is greater than the then current dividend rate of the preferred shares, after taking into account the additional operating expenses relating to the preferred shares, the effect of the leverage provided by such preferred shares will be to cause the common shareholders to realize a higher current return rate of than if the fund were not so leveraged. On the other hand, to the extent that the then current rate of return on the preferred shares were to exceed the amount of any such increase after expenses in the fund's net return on its investment portfolio as a result of leverage provided by the preferred shares, the fund's leveraged capital structure would result in a lower rate of return to its common shareholders than if the fund had less leverage or an unleveraged capital structure. In addition to the potential effects on investment income and dividends, the fund's leveraged capital structure may also adversely affect the net asset value and market value of its common shares. Similarly, because any decline in the value of the fund's investments is generally borne by its common shareholders, the effect of leverage in a declining market would be to cause a greater decline in the net asset value of common shares

than if the fund were not leveraged, which would likely be reflected in a greater decline in the market price for the fund's common shares. Under those circumstances, the fund might redeem its preferred shares, thereby eliminating the potential future benefits of leverage to the common shareholders.

If the fund's current investment income is not sufficient to meet dividend payments on preferred shares, it could be necessary for the fund to liquidate certain of its investments, thereby reducing the net asset value attributable to the fund's common shares. In addition, a decline in the net asset value of the fund's investments may affect the ability of the fund to make dividend payments on its common shares, and such failure to pay dividends or make distributions may result in the fund ceasing to qualify as a regulated investment company under the Code.

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At any time when preferred shares are outstanding, the fund also is required to meet asset coverage requirements under the 1940 Act or imposed by rating agencies which provide ratings of the preferred shares. Such requirements may limit the fund's ability to take advantage of certain investment opportunities which would be available if no preferred shares were outstanding.

The holders of any preferred shares are entitled to receive distributions on a cumulative basis before any dividend or other distribution may be paid to common shareholders and, upon any liquidation of the fund, will be entitled to receive liquidating distributions (expected to equal the original purchase price per preferred share plus any accrued and unpaid dividends thereon) before any distribution is made to common shareholders.

Anti-takeover provisions. The fund's Agreement and Declaration of Trust includes provisions that could limit the ability of other persons or entities to acquire control of the fund or to cause it to engage in certain transactions or to modify its structure. These provisions may have the effect of depriving common shareholders of an opportunity to sell their common shares at a premium over prevailing market prices and may have the effect of inhibiting the fund's conversion to open-end status.

Market price of shares. Shares of closed-end investment companies often trade at a discount to their net asset values, although it is possible that they may trade at a premium above net asset value. Net asset value will be reduced prior to or immediately following the merger as a result of merger-related expenses. Since the market price of the fund's common shares will be determined by such factors as relative demand for and supply of such shares in the market, the fund's net asset value, general market and economic conditions, and other factors beyond the control of the fund, the fund cannot predict whether its common shares will trade at, below, or above net asset value.

Other investments. In addition to the main investment strategies described above, the fund may also make other types of investments, such as investments in repurchase agreements and forward commitments, which may produce taxable income and be subject to other risks, as described in the Merger SAI.

Alternative strategies. Under normal market conditions, the fund's portfolio is fully invested, with minimal cash holdings. However, at times Putnam Management may judge that market conditions make pursuing the fund's usual investment strategies inconsistent with the best interests of its shareholders. The fund then may temporarily use alternative strategies that are mainly designed to limit losses, including investing in taxable obligations. However, Putnam Management may choose not to use these strategies for a variety of reasons, even in very volatile market conditions. These strategies may cause the fund to miss out on investment opportunities, and may prevent the fund from achieving its goal.

Changes in policies. The fund's Trustees may change the fund's goal, investment strategies and other policies without shareholder approval, except as otherwise provided by the fund's Agreement and Declaration of Trust and Bylaws.

An investment in Municipal Opportunities Trust may not be appropriate for all investors, and there is no assurance that Municipal Opportunities Trust will achieve its investment objective.

You can lose money on your investment in Municipal Opportunities Trust. Municipal Opportunities Trust is not intended as a complete investment program. An investment in Municipal Opportunities Trust is not a deposit in a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

C. Information about the Proposed Mergers

General. The shareholders of the funds are being asked to approve proposed mergers of each Merging Fund with and into Municipal Opportunities Trust. Each merger will be effected through a two-step

process, as described below in order to assure that the proposed merger will be tax-free to shareholders.

Pursuant to a Plan of Entity Conversion (each such plan being referred to herein as a Conversion Plan, and together, as the Conversion Plans), a form of which is attached to this Prospectus/Proxy Statement as Appendix A, each Merging Fund would convert from a Massachusetts business trust to a Massachusetts limited liability company (each conversion being referred to herein as a Conversion, and together, the Conversions). The relevant Merging Fund, organized as a limited liability company, then would merge with and into Municipal Opportunities Trust pursuant to an Agreement and Plan of Merger (the Plan of Merger), a form of which is attached to this Prospectus/Proxy Statement as Appendix B, and in accordance with the Massachusetts Limited Liability Act (the LLC Act) (each such merger pursuant to the LLC Act being referred to herein as a

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Statutory Merger, and together, the Statutory Mergers). Both steps are expected to be tax-free to shareholders (see Federal Income Tax Consequences below). In connection with the Conversions, each member of the Board of Trustees of each Merging Fund would become a member of the Board of Managers of the relevant Merging Fund once it is organized as a limited liability company and the officers of the relevant Merging Fund would remain unchanged. Shareholders of each Merging Fund would remain shareholders of the Merging Fund upon the Conversion (their ownership interests being referred to as shares for convenience of reference in this Prospectus/Proxy Statement) until consummation of the Statutory Merger soon thereafter.

Upon completion of the proposed mergers, all the property and liabilities of the Merging Funds will become property and liabilities of Municipal Opportunities Trust and the Merging Funds will cease to exist. Common shareholders of each Merging Fund will receive Common Merger Shares on the date of the exchange (the Exchange Date) based on the relative net asset values of their existing shares and such Common Merger Shares, determined at the time as of which each fund's shares are valued for purposes of the proposed mergers (4:00 p.m. Eastern time on October 19, 2007 or such other time as mutually agreed by the applicable funds (the Valuation Time)). Preferred shareholders of each Merging Fund will receive Preferred Merger Shares on the Exchange Date based on the aggregate liquidation preference of the preferred shares and the Preferred Merger Shares as of the Valuation Time. Prior to the Exchange Date, each Merging Fund expects to declare a distribution to shareholders which, together with all previous distributions, will have the effect of distributing to shareholders all of its investment company income (computed without regard to the deduction for dividends paid) and net realized capital gains, if any, through the Exchange Date.

The Trustees have voted unanimously to approve each proposed merger and the related transactions, and to recommend that shareholders also approve the proposed mergers. An unfavorable vote on a proposed merger by the shareholders of one Merging Fund will not affect the implementation of the proposed merger by the other Merging Fund, if such merger is approved by the shareholders of such Merging Fund and Municipal Opportunities Trust and if certain other conditions are met. The Trustees have conditioned the effectiveness of the Plan of Merger with respect to each Merging Fund upon (a) such Merging Fund's shareholders approving the applicable Conversion Plan, (b) Municipal Opportunities Trust's preferred shareholders approving the issuance of \$273 million of additional preferred shares (the Preferred Merger Shares), which are required to consummate the mergers and (c) Municipal Opportunities Trust's preferred shareholders approving a two-for-one stock-split of Series A preferred shares of Municipal Opportunities Trust and a corresponding reduction in liquidation preference from \$50,000 per share to \$25,000 per share in order to facilitate the proposed mergers. Each Conversion Plan requires the affirmative vote of holders a majority of the outstanding common and preferred shares of beneficial interest of the applicable Merging Fund entitled to vote (each class voting separately); the issuance of the Preferred Merger Shares requires the affirmative vote of the holders of a majority of the outstanding preferred shares of beneficial interest of Municipal Opportunities Trust; and the two-for-one stock split of Series A preferred shares of Municipal Opportunities Trust requires the affirmative vote of the holders of a majority of the outstanding preferred shares of beneficial interest of Municipal Opportunities Trust.

It is a condition to the closing of each merger that Standard & Poor's and Moody's, which serve as rating agencies with respect to the funds' outstanding preferred shares, shall have advised Municipal Opportunities Trust that the closing of the relevant merger will not result in the withdrawal of their current ratings of Municipal Opportunities Trust's outstanding preferred shares and that the Preferred Merger Shares issued in the transaction will be rated AAA by Standard & Poor's and Aaa by Moody's. It is also a condition to the closing of each merger that the Common Merger Shares be accepted for listing on the NYSE.

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Prior to the Conversions, individual investment restrictions of a Merging Fund may be temporarily revised or suspended to the extent necessary to effect the transactions described herein. Putnam Management does not anticipate that a significant portion of either Merging Fund's portfolio securities will be disposed of in connection with the mergers. Municipal Opportunities Trust may, however, be required to dispose of a portion of its portfolio securities after consummation of the proposed mergers in order to fund the redemption of a portion of the combined fund's outstanding preferred shares to reduce the combined fund's leverage ratio. In the event that the proposed mergers and related transactions do not receive the required shareholder approvals, each fund will continue to be managed as a separate fund in accordance with its current investment objectives and policies, and the Trustees may then consider such alternative arrangements or transactions as they believe to be in the best interests of its shareholders.

Trustees' Considerations Relating to the Proposed Mergers.

General

The Trustees of the funds have carefully considered the anticipated benefits and costs of each proposed merger from the perspective of each fund. The Trustees considered a recommendation, including a detailed plan for the mergers, from Putnam Management for these mergers at a meeting of the Board of Trustees held on February 8-9, 2007. After carefully considering the terms of each proposed merger, the Trustees determined at the meeting to approve in principle the merger of each Merging Fund into Municipal Opportunities Trust.

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On June 15, 2007, following further review of the proposed transactions and discussion with representatives of Putnam Management, the Trustees unanimously approved all of the terms of the proposed mergers on behalf of the funds, adopted the Conversion Plans and the Plans of Merger (subject to shareholder approval) and determined to recommend that shareholders of the funds vote in favor of the transactions. In their deliberations, the Trustees took into account the recommendations of the Contract Committee, which consists solely of Independent Trustees, and which convened on several occasions to consider the attributes of the funds and the terms of the proposed mergers. The Contract Committee and the Trustees were assisted in this process by independent legal counsel for the funds and the Independent Trustees. Following their review, the Trustees, including all of the Independent Trustees present, determined that the proposed merger of each of the Merging Funds into Municipal Opportunities Trust would be in the best interests of each fund and its shareholders, and that the interests of existing shareholders of each fund would not be diluted by the proposed mergers.

The compatibility of the investment goals, strategies and policies of the funds

The Trustees considered that all three funds are leveraged closed-end funds with the same investment goal of seeking as high a level of current income exempt from federal income tax as Putnam Management believes is consistent with preservation of capital. In addition, each fund invests mainly in municipal securities that are exempt from federal income tax and are investment-grade in quality. The Trustees observed that the proposed mergers would permit each fund's shareholders to pursue substantially similar investment goals in a larger fund. The Trustees also considered that the same portfolio management team would be responsible for the day-to-day management of the combined fund.

Investment flexibility of the combined fund

In evaluating the investment flexibility of the combined fund, the Trustees gave weight to Putnam Management's representation that the separate funds incur additional transaction costs in managing smaller position sizes in portfolio securities. Putnam Management informed the Trustees that the larger combined fund would have greater flexibility in the positions it maintains in portfolio securities and in the ease with which it can balance and reposition its holdings. The Trustees noted that Municipal Opportunities Trust, unlike the Merging Funds, is a non-diversified management investment company, which allows it to invest more of its assets in the securities of fewer issuers than the Merging Funds, which are classified as diversified.

Relative performance of the funds

The Trustees considered the relative performance of the funds, both in relation to one another and relative to the funds' benchmark, which is presented in greater detail under the heading "How does the investment performance of the funds compare?" above. They observed that Municipal Opportunities Trust outperformed both Merging Funds for the 1-year period based on total returns measured at net asset value. The Trustees did not give significant weight to comparing the funds' performance at market price, in part because Putnam Management believes performance at net asset value to be more reflective of each fund's investment strategy.

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The substantially larger trading market of the combined fund

Following the proposed mergers, the combined fund will have a substantially larger trading market in common shares than any of the funds had prior to the merger, which may increase liquidity for shareholders and, to the extent that trading discounts for the fund's common shares may be influenced from time to time by demand for such shares, reduce the extent of trading discounts that would be experienced in a smaller trading market. A larger trading market offers the potential for greater investor and analyst interest as well.

Liquidity of fund shares and sunroofing provisions

The Trustees took into account that the Declaration of Trust of Investment Grade Municipal Trust, unlike those of the other two funds, contains a provision giving shareholders the opportunity to vote on converting the fund from a closed-end investment company to open-end status (a so-called "sunroofing provision") if the fund's common shares have traded at an average discount of 10% or greater for a specific measurement period each fiscal year. Because Municipal Opportunities Trust's Declaration of Trust currently does not contain a sun-roofing provision, the surviving fund following the proposed mergers would also not be subject to such a provision. In light of other efforts and initiatives (described below) by the Trustees to monitor and address trading discounts with respect to all of the Putnam closed-end funds, the Trustees concluded that the interests of shareholders in maintaining or enhancing liquidity for their shares could be adequately addressed without imposition of a sunroofing provision.

On a regular basis, the Trustees carefully monitor the trading prices of each fund's shares, recognizing that trading prices and discounts will fluctuate over time, and have considered a broad range of possible actions in an effort to reduce or eliminate discounts. In July 2007, eight Putnam closed-end funds, including your fund, concluded tender offers in which they purchased from shareholders 10% of their outstanding

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common shares for cash at a price per share equal to 98% of the net asset value per share. The Trustees' purpose in authorizing the tender offers was to enhance liquidity for shareholders seeking to exit the funds at a price reflecting a smaller discount to net asset value than had recently been available in the market. In addition, your fund's Trustees have approved a share repurchase program that permits your fund to repurchase up to 10% of its outstanding common shares at market prices over the two-year period ending October 6, 2007. The Trustees believe that share repurchases can represent an attractive investment opportunity for your fund and be an important contributor to your fund's returns at net asset value. The Trustees further believe that other initiatives, such as communications with the marketplace regarding the benefits of investing in the funds, also serve to increase investor demand for the funds' shares.

In considering these actions, as well as their recommendations on past proposals under sunroofing provisions, the Trustees observed that all shareholders who purchased the funds' shares presumably made their choice from among a broad array of available investment products available in the marketplace, with an understanding of the potential advantages and disadvantages of closed-end funds. Thus, in considering proposals and mechanisms that may affect the closed-end structure of the funds and their investment characteristics, the Trustees have generally considered whether the closed-end structure of the funds continues to offer the investment advantages contemplated when the funds were originally offered to the marketplace.

Operating expenses

In evaluating the possible operating efficiencies of the combined fund after the proposed mergers, the Trustees considered the expected savings in annual fund operating expenses for shareholders of each fund. Putnam Management's unaudited estimates of the funds' expense ratios as a percentage of assets attributable to common shares as of April 30, 2007, and the expected *pro forma* expense ratio based on combined assets of the funds as of the same date, are shown in the following table:

Annual Fund Operating Expenses (Expenses that are deducted from fund assets)*	Municipal Opportunities Trust	Investment Grade Municipal Trust	Municipal Bond Fund	Municipal Opportunities Trust (<i>pro forma</i> combined with Investment Grade Municipal Trust only)*	Municipal Opportunities Trust (<i>pro forma</i> combined with Municipal Bond Fund only)*	Municipal Opportunities Trust (<i>pro forma</i> combined with both Merging Funds)*
Management Fees	0.88%	0.90%	0.87%	0.89%	0.88%	0.88%
Other Expenses	0.38%	0.35%	0.34%	0.32%	0.30%	0.30%
Total Annual Fund Operating Expenses *	1.26%	1.25%	1.21%	1.21%	1.18%	1.18%

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Expenses are expressed as a percentage of assets attributable to common shares and include costs and expenses incurred in connection with maintaining preferred shares. Aggregate costs associated with the preferred shares equaled approximately 0.52%, 0.53% and 0.48% of common share net assets over the year ended April 30, 2007 for Municipal Opportunities Trust, Investment Grade Municipal Trust and Municipal Bond Fund, respectively. Aggregate costs associated with the preferred shares would be equal to approximately 0.51%, 0.49% and 0.50% of common share net assets over the year ended April 30, 2007 for Municipal Opportunities Trust *pro forma* combined with Investment Grade Municipal Trust only, Municipal Opportunities Trust *pro forma* combined with Municipal Bond Fund only, and Municipal Opportunities Trust *pro forma* combined with both Merging Fund, respectively.

* Does not reflect non-recurring expenses that each fund is expected to incur in connection with the mergers, which are described below under the heading "Trustees Considerations Related to the Proposed Mergers - Transaction Costs." If these expenses had been reflected, the Other Expenses and Total Annual Fund Operating Expenses for the fiscal year in which the mergers occur would be 0.40% and 1.29%, respectively, for

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Municipal Opportunities Trust *pro forma* combined with Investment Grade Trust only; 0.38% and 1.26%, respectively, for Municipal Opportunities Trust *pro forma* combined with Municipal Bond Fund only; and 0.38% and 1.26%, respectively, for Municipal Opportunities Trust combined with both Merging Funds.

As shown in the table above, following the proposed mergers, the combined fund is expected to have a slightly lower total annual fund operating expense ratio than each fund had before the merger. The Trustees noted that Municipal Opportunities Trust *pro forma* combined (with Municipal Bond Fund only and with both Merging Funds) would have more leverage through preferred shares than Municipal Bond Fund, and as a result, the management fees of Municipal Opportunities Trust *pro forma* combined with Municipal Bond Fund only and of Municipal Opportunities Trust *pro forma* combined with both Merging Funds (in each case, expressed as a percentage of assets attributable to common shares) are expected to be 0.01% higher than the management fees currently incurred by Municipal Bond Fund. The Trustees noted, however, that the fee schedules for calculating the management fees payable by all three funds (which are based on a percentage of total fund assets) are identical and that accordingly the aggregate effective management fee rate and the aggregate dollar amount of management fees paid to Putnam Management by the combined fund cannot exceed the management fees paid currently by the three funds separately. Rather, by virtue of the operation of breakpoints under Municipal Opportunities Trust's management contract, the aggregate management fees paid to Putnam Management would decrease as a result of the mergers. Conversely, the Trustees noted that Municipal Opportunities Trust *pro forma* combined (with Investment Grade Investment Trust only and with both Merging Funds) would have less leverage than Investment Grade Municipal Trust and the management fees of Municipal Opportunities Trust *pro forma* combined with Investment Grade Municipal Trust only and of Municipal Opportunities Trust *pro forma* combined with both Merging Funds (in each case, expressed as a percentage of assets attributable to common shares) are expected to be 0.01% and 0.02% lower, respectively, than the management fees currently incurred by Investment Grade Municipal Trust. The Trustees also noted that the combined fund's expense ratio may be further reduced over time, since duplicative fees such as NYSE listing fees and costs for legal, audit and administrative services would likely be reduced or eliminated.

Tax considerations

The Trustees took into account that the proposed mergers could be accomplished on a tax-free basis, so that shareholders would not be required to realize gains on their investment if they opt to receive and hold shares of Municipal Opportunities Trust. In their consideration of the tax effects of the proposed mergers, using data as of December 31, 2006, the Trustees reviewed the historical and *pro forma* tax attributes of the funds and the effect of a hypothetical merger occurring as of that date on certain tax losses of the funds. The Trustees noted that the potential tax impact on each fund's shareholders was expected not to be significant.

Transaction costs of the proposed mergers

The Trustees took into account the expected approximate costs of the proposed mergers, including proxy solicitation costs, accounting fees and legal fees. The Trustees weighed these costs (and the estimated portfolio transaction expenses described below) against the quantifiable expected benefits of the proposed mergers. The Trustees observed that the two-step merger structure (a conversion to a limited liability company followed by a statutory merger) entailed higher costs than might otherwise have been the case, which they weighed against the benefits to shareholders of this structure, including greater clarity on the tax-free character of the transactions. The Trustees determined that all fees and expenses, including legal and accounting expenses or other similar expenses incurred in connection with the consummation of the transactions contemplated by the Plans of Merger, will be allocated ratably among the three funds in proportion to their net assets, whether or not the mergers are consummated, except that the costs of proxy materials and proxy solicitations for each fund will be borne by that fund only and the costs of SEC filings will be borne by Municipal Opportunities Trust only. The Trustees considered this arrangement to be justified in light of the expected advantages of the mergers for shareholders of each fund. The Trustees also noted that if one party to

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the Plan of Merger is unwilling or unable to consummate the applicable merger in certain circumstances, that party shall be responsible for the other party's reasonable fees and expenses.

Assuming consummation of both proposed mergers, the merger costs borne by Municipal Opportunities Trust, Investment Grade Municipal Trust and Municipal Bond Fund are estimated to be \$173,332, \$169,301 and \$166,164, respectively. Assuming consummation of the proposed merger of Municipal Opportunities Trust with Investment Grade Municipal Trust only, the merger costs borne by Municipal Opportunities Trust and Investment Grade Municipal Trust are estimated to be \$163,037 and \$157,878, respectively. Assuming consummation of the proposed merger of Municipal Opportunities Trust with Municipal Bond Fund only, the merger costs borne by Municipal Opportunities Trust and Municipal Bond Fund are estimated to be \$176,007 and \$169,223, respectively. Estimated merger costs include proxy solicitation costs, legal fees, audit fees and SEC filing fees.

Other factors

The Trustees also took into account a number of other factors, including the terms of the Merger Documents.

Merger documents.

Conversion Plans. The first step in completing each proposed merger, the Merging Fund's Conversion from a Massachusetts business trust to a Massachusetts limited liability company, will be governed by a Conversion Plan, a form of which is attached as Appendix A. The description of each Conversion Plan in this Prospectus/ Proxy Statement is qualified in its entirety by the full text of the Conversion Plan. The Conversion Plans provide that upon the effectiveness of the Articles of Conversion, the common and preferred shares of beneficial interest of the applicable Merging Fund will be converted on a one-to-one basis into shares of common and preferred units (which are deemed to be different classes of limited liability company interests under Massachusetts law), respectively, of the Merging Fund, organized as a limited liability company. Each Plan of Conversion authorizes the organizational documents of the Merging Fund in limited liability company form, including an operating agreement that continues the ownership, governance and procedural characteristics of the business trust, with only minor alterations to comply with the statutory requirements associated with operating as a limited liability company. As previously noted, the units into which shares of the Merging Funds are converted upon the Conversions are referred to simply as shares in the Prospectus/Proxy Statement, in large part because of the very close similarities between the pre- and post-Conversion Merging Funds.

Plan of Merger. Shortly after the Conversion, and contingent upon the approval of the shareholders of the applicable funds, each Merging Fund, then organized as a Massachusetts business limited liability company, and Municipal Opportunities Trust will engage in a Statutory Merger pursuant to the LLC Act and in accordance with the provisions of the Plan of Merger, a form of which is attached as Appendix B. The description of the proposed mergers in this Prospectus/Proxy Statement is qualified in its entirety by the full text of the Plan of Merger. The Plans of Merger provide that each Merging Fund (or, if only one Merging Fund approves the Plan of Merger, such Merging Fund) will merge with and into Municipal Opportunities Trust and that all of the property and liabilities of the Merging Fund will become property and liabilities of Municipal Opportunities Trust. Upon the effectiveness of each merger, preferred and common shares of the Merging Fund will be converted into Preferred Merger Shares and Common Merger Shares, respectively, at a rate determined as of the Valuation Time. On the Exchange Date, which is expected to occur on the next full business day following the Valuation Time, the Merging Fund's common and preferred shares will be converted into the Common Merger Shares and Preferred Merger Shares, respectively. As a result of the proposed mergers, each holder of a Merging Fund's preferred shares will receive a number of Preferred Merger Shares equal in aggregate liquidation preference to such Merging Fund's preferred shares. Similarly, each holder of a Merging Fund's common shares will receive a number of Common Merger Shares equal in aggregate net asset value to the net asset value of such Merging Fund common shares.

This will be accomplished by establishing an account on the share records of Municipal Opportunities Trust in the name of each shareholder of a Merging Fund representing the number of Merger Shares due the shareholder. Shareholders who hold certificated common shares of a Merging Fund will receive certificates representing the number of Common Merger Shares due the shareholder upon surrender of their Merging Fund share certificates. No additional certificates will be issued for Merger Shares. To obtain additional information on how to return your share certificate if and when the applicable merger is completed, please call Putnam Investor Services at 1-800-225-1581. Shareholders who fail to surrender certificates they hold representing shares of the applicable Merging Fund to Putnam Fiduciary Trust Company, the funds' transfer agent, will

not, following the mergers, be able to receive any cash dividends or distributions, transfer their Common Merger Shares or pledge Common Merger Shares until the certificates have been surrendered.

The consummation of each merger is subject to the conditions set forth in the applicable Plan of Merger. The Plan of Merger may be terminated and one or both of the mergers abandoned at any time, before or after approval by the shareholders, prior to the Exchange Date by mutual consent of Municipal Opportunities Trust and the applicable Merging Fund(s) or, if any condition set forth in the Plan of Merger has not been fulfilled and has not been waived by the party entitled to its benefits, by such party. The Plan of Merger also may be amended prior to closing by the mutual consent of the funds party thereto.

In addition, each Merging Fund may liquidate any of its portfolio securities that Municipal Opportunities Trust indicates it does not wish to hold. Merging Fund shareholders will bear the portfolio trading costs associated with this liquidation to the extent that it is completed before the closing. There can be no assurance that this liquidation will be accomplished before the closing. To the extent the liquidation is not accomplished before the closing, the costs of liquidation will be borne by shareholders of the combined fund, including current shareholders of Municipal Opportunities Trust. Putnam Management does not expect that a Merging Fund will make any significant liquidations or dispositions of securities in connection with the proposed mergers.

The fees and expenses for the mergers are estimated to be approximately \$508,797 (not including the trading costs associated with the liquidations described above) assuming consummation of both mergers. The fees and expenses assuming consummation of the merger of Investment Grade Municipal Trust with Municipal Opportunities Trust only are estimated to be \$320,915 and the fees and expenses assuming

consummation of the merger of Municipal Bond Fund with Municipal Opportunities Trust only are estimated to be \$345,230. All fees and expenses, including legal and accounting expenses or other similar expenses incurred in connection with the consummation of the transactions contemplated by the Plan of Merger, will be allocated ratably between the three funds in proportion to their net assets, whether or not the mergers are consummated, except that the costs of proxy materials and proxy solicitations for each fund will be borne by that fund only and the costs of SEC filings will be borne by Municipal Opportunities Trust only. However, to the extent that any payment by a fund of such fees or expenses would result in its disqualification as a regulated investment company within the meaning of Section 851 of the Code, such fees and expenses will be paid directly by the party incurring them. In addition, if one party to the Plan of Merger is unwilling or unable to consummate the applicable merger in certain circumstances, that party shall be responsible for the other party's reasonable fees and expenses.

Description of the merger shares. Each Merger Share will be fully paid and nonassessable when issued and will have no preemptive or conversion rights. The Preferred Merger Shares will have terms virtually identical to those of Municipal Opportunities Trust's outstanding preferred shares. The Common Merger Shares will be transferable without restriction, but the Preferred Merger Shares will be subject to the same restrictions on transfer as the outstanding preferred shares of Municipal Opportunities Trust. The Agreement and Declaration of Trust of Municipal Opportunities Trust permits the fund to divide its shares, without shareholder approval, into two or more classes of shares having such preferences and special or relative rights and privileges as the Trustees may determine. Municipal Opportunities Trust's shares are currently divided into three classes (one class of common shares and two classes of preferred shares). Municipal Opportunities Trust's Bylaws will be amended to reflect that the Preferred Merger Shares have been authorized. For more information about the funds' preferred shares, see Information about the Funds' Preferred Shares below or for preferred shareholders of each Merging Fund only, Appendix C to this Prospectus/Proxy Statement.

Under Massachusetts law, shareholders could, under certain circumstances, be held personally liable for the obligations of Municipal Opportunities Trust. However, the Agreement and Declaration of Trust disclaims shareholder liability for acts or obligations of Municipal Opportunities Trust and requires that notice of such disclaimer be given in each agreement, obligation, or instrument entered into or executed by Municipal Opportunities Trust or its Trustees. The Agreement and Declaration of Trust provides for indemnification out of fund property for all losses and expenses of any shareholder held personally liable for the obligations of Municipal Opportunities Trust. Thus, the risk of a shareholder incurring financial loss on account of shareholder liability is limited to circumstances in which Municipal Opportunities Trust would be unable to meet its obligations. The likelihood of such circumstances is remote. The shareholders of each Merging Fund, currently also a Massachusetts business trust, are currently subject to the same risk of shareholder liability.

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Federal income tax consequences. As a condition to each fund's obligation to consummate the transactions contemplated by the Conversion Plans and the Plans of Merger, each fund will receive tax opinions in respect the Conversions and the proposed mergers from Ropes & Gray LLP, counsel to the funds. These opinions, which will be based on certain factual representations and certain customary assumptions, will be to the effect that, on the basis of the existing provisions of the Code, current administrative rules and court decisions, generally for federal income tax purposes, the Conversions and the proposed mergers will qualify as a tax-free reorganization as set forth in clauses (i) and (ii) as follows, and that such steps taken together will have the combined effects set forth in clauses (iii) through (x) as follows:

(i) the conversion of a Merging Fund from a Massachusetts business trust to a Massachusetts limited liability company, pursuant to Mass. Gen. Laws ch. 156C, constitutes a reorganization within the meaning of Section 368(a) of the Code, and the Merging Fund will be a party to reorganization within the meaning of Section 368(b) of the Code;

(ii) the vesting in Municipal Opportunities Trust of all the property and liabilities of the Merging Fund and the conversion of shares of the Merging Fund into Merger Shares of Municipal Opportunities Trust, all pursuant to the Plan of Merger and Mass. Gen. Laws ch. 156C, constitutes a reorganization within the meaning of Section 368(a) of the Code, and Municipal Opportunities Trust and the Merging Fund will each be a party to a reorganization within the meaning of Section 368(b) of the Code;

(iii) under Section 361 of the Code, no gain or loss will be recognized by a Merging Fund upon the vesting of the Merging Fund's property and liabilities in Municipal Opportunities Trust or upon the distribution of Merger Shares to the Merging Fund's shareholders;

(iv) under Section 354 of the Code, no gain or loss will be recognized by shareholders of a Merging Fund on the exchange of their shares of the Merging Fund for Merger Shares;

(v) under Section 358 of the Code, the aggregate tax basis of the Merger Shares received by a Merging Fund's shareholders will be the same as the aggregate tax basis of the Merging Fund shares exchanged therefor;

(vi) under Section 1223(1) of the Code, the holding periods of the Merger Shares received by the shareholders of a Merging Fund will include the holding periods of the Merging Fund shares exchanged therefor, provided that, at the time of the reorganization, the Merging Fund shares are held by such shareholders as a capital asset;

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(vii) under Section 1032 of the Code, no gain or loss will be recognized by Municipal Opportunities Trust upon the vesting of a Merging Fund's property and liabilities in Municipal Opportunities Trust in exchange for Merger Shares;

(viii) under Section 362(b) of the Code, the tax basis in the hands of Municipal Opportunities Trust of the assets of a Merging Fund transferred to Municipal Opportunities Trust will be the same as the tax basis of such assets in the hands of the Merging Fund immediately prior to the transfer;

(ix) under Section 1223(2) of the Code, the holding periods of the assets of a Merging Fund in the hands of Municipal Opportunities Trust will include the periods during which such assets were held by the Merging Fund; and

(x) Municipal Opportunities Trust will succeed to and take into account the items of a Merging Fund described in Section 381(c) of the Code, subject to the conditions and limitations specified in Sections 381, 382, 383 and 384 of the Code and regulations thereunder.

Ropes & Gray LLP will express no view with respect to the effect of the reorganization on any transferred asset as to which any unrealized gain or loss is required to be recognized at the end of a taxable year (or on the termination or transfer thereof) under federal income tax principles. The opinion will be based on certain factual certifications made by officers of the Merging Funds and Municipal Opportunities Trust and will also be based on customary assumptions. The opinion is not a guarantee that the tax consequences of the proposed mergers would be as described above. The opinion may note and distinguish certain published precedent. There is no assurance that the Internal Revenue Service would agree with this opinion.

Before consummating the mergers, each Merging Fund expects to, and Municipal Opportunities Trust may, declare a distribution to shareholders that, together with all previous distributions, will have the effect of distributing to shareholders all of its investment company income (computed without regard to the deduction for dividends paid) and net capital gains, including those

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realized on disposition of portfolio securities in connection with the proposed mergers (after reduction by any available capital loss carryforwards). These distributions will be taxable to shareholders (except, in the case of a distribution of investment company income, for federal tax purposes to the extent that it is comprised of exempt-interest dividends).

The historic losses of the Merging Funds and Municipal Opportunities Trust available to offset gains, if any, in each year following the proposed merger would be technically subject to a limitation under Section 382 of the Code. If the Merger had occurred on December 31, 2006, this limitation would not have had a significant effect on the combined fund, since each fund's aggregate losses would have been either smaller than the annual limitation, in which case they are not affected by the limitation, or only slightly larger than the annual limitation, in which case their use is simply delayed, rather than forfeited entirely. Additionally, for five years following the proposed merger, the combined fund will not be allowed to offset the built-in gains of one fund with the built-in losses of another fund at the time of the Exchange Date. This limitation is not likely to have a significant impact on the combined fund: If the merger had occurred on December 31, 2006, each fund had sufficient built-in losses to offset either all or most of its built-in gains.

Municipal Opportunities Trust will file the relevant tax opinion with the SEC shortly after the completion of one or both proposed mergers, as applicable. This description of the federal income tax consequences of the proposed mergers is made without regard to the particular facts and circumstances of any shareholder. Shareholders are urged to consult their own tax advisers as to the specific consequences to them of the proposed merger, including the applicability and effect of state, local and other tax laws.

Capitalization. The following table shows on an unaudited basis the capitalization of the funds as of April 30, 2007, and on a *pro forma* combined basis, giving effect to the proposed mergers as of that date:

	Municipal Opportunities Trust	Investment Grade Municipal Trust	Municipal Bond Fund	<i>Pro forma</i> Adjustment	Municipal Opportunities Trust (pro forma combined with both Merging Funds)*
Net assets					
Common (000 s)	\$200,176	\$222,122	\$228,977	(\$509)	\$650,766

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Preferred (000 s)	\$121,000	\$140,000	\$133,000		\$394,000
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Shares Outstanding					
Common (000 s)	15,173	20,235	16,785	(2,820)	49,373
Preferred					
Series A	800	1,400	2,920	(600)	4,520**
Series B	1,620		2,400		4,020***
Series C	1,620			5,600	7,220***
Series I					
<hr/>					
Net asset value per common share	\$13.19	\$10.98	\$13.64		\$13.18
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* Pro forma combined net assets reflects non-recurring costs that each fund is expected to incur in connection with the mergers.

** Reflects proposed two-for-one stock-split of Series A preferred shares of Municipal Opportunities Trust.

*** While it is currently anticipated that holders of Series B preferred shares of Municipal Bond Fund and Series A preferred shares of Investment Grade Municipal Trust will receive Series B preferred shares and Series C preferred shares, respectively, of Municipal Opportunities Trust, these holders may receive another series of Municipal Opportunities Trust s preferred shares with the same dividend period and same liquidation preference.

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Municipal Opportunities Trust and Investment Grade Municipal Trust only

	Municipal Opportunities Trust	Investment Grade Municipal Trust	<i>Pro forma</i> Adjustment	Municipal Opportunities Trust (<i>pro</i> <i>forma</i> combined with Investment Grade Municipal Trust only)*
<hr/>				
Net assets				
Common (000 s)	\$200,176	\$222,122	(\$321)	\$421,977
Preferred (000 s)	\$121,000	\$140,000		\$261,000
<hr/>				
Shares Outstanding				
Common (000 s)	15,173	20,235	(3,394)	32,014
Preferred				
Series A	800	1,400	(1,400)	800
Series B	1,620			1,620**
Series C	1,620		5,600	7,220**
Series I				
<hr/>				
Net asset value per common share	\$13.19	\$10.98		\$13.18
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* Pro forma combined net assets reflects non-recurring costs that each fund is expected to incur in connection with the mergers.

** While it is currently anticipated that holders of Series B preferred shares of Municipal Bond Fund and Series A preferred shares of Investment Grade Municipal Trust will receive Series B preferred shares and Series C preferred shares, respectively, of Municipal Opportunities Trust, these holders may receive another series of Municipal Opportunities Trust's preferred shares with the same dividend period and same liquidation preference.

Municipal Opportunities Trust and Municipal Bond Fund only

	Municipal Opportunities Trust	Municipal Bond Fund	Pro forma Adjustment	Municipal Opportunities Trust (<i>pro forma</i> combined with Municipal Bond Fund only)*
Net assets				
Common (000 s)	\$200,176	\$228,977	(\$345)	\$428,808
Preferred (000 s)	\$121,000	\$133,000		\$254,000
Shares Outstanding				
Common (000 s)	15,173	16,785	575	32,533
Preferred				
Series A	800	2,920	800	4,520**
Series B	1,620	2,400		4,020***
Series C	1,620			1,620***
Net asset value				
per common share	\$13.19	\$13.64		\$13.18

* Pro forma combined net assets reflects non-recurring costs that each fund is expected to incur in connection with the mergers.

** Reflects proposed two-for-one stock-split of Series A preferred shares of Municipal Opportunities Trust.

*** While it is currently anticipated that holders of Series B preferred shares of Municipal Bond Fund and Series A preferred shares of Investment Grade Municipal Trust will receive Series B preferred shares and Series C preferred shares, respectively, of Municipal Opportunities Trust, these holders may receive another series of Municipal Opportunities Trust's preferred shares with the same dividend period and same liquidation preference.

Unaudited *pro forma* combining financial statements of the funds as of April 30, 2007, and for the twelve-month period then ended are included in the Merger SAI. Because each Plan of Merger provides that Municipal Opportunities Trust will be the surviving fund following the mergers and because Municipal Opportunities Trust's investment objectives and policies will remain unchanged, the *pro forma* combining financial statements reflect the transfer of the assets and liabilities of the Merging Funds to Municipal Opportunities Trust as contemplated by the Plan of Merger.

THE TRUSTEES, INCLUDING THE INDEPENDENT TRUSTEES, UNANIMOUSLY RECOMMEND APPROVAL OF THE PROPOSED MERGERS.

II. PROPOSAL REGARDING PREFERRED SHARES OF MUNICIPAL OPPORTUNITIES TRUST (For Municipal Opportunities Trust only)

A. Questions and Answers. The responses to the questions that follow provide an overview of key points typically of concern to shareholders considering the authorization of additional preferred shares. These responses are qualified in their entirety by the remainder of the Prospectus/Proxy Statement, which contains additional information and further details regarding the proposal.

1. What is being proposed?

The Trustees are recommending that Municipal Opportunities Trust preferred shareholders authorize the issuance of \$273 million in aggregate liquidation preference of additional preferred shares. These additional shares will be Preferred Merger Shares issued on terms virtually identical to those of the outstanding preferred shares of Municipal Opportunities Trust. The Preferred Merger Shares would be on parity with Municipal Opportunities Trust's outstanding preferred shares (regardless of series determination) with respect to the payment of dividends or distribution of assets in liquidation.

In addition, in order to align the characteristics of the series of preferred shares of the Merging Funds, the Trustees are recommending that Municipal Opportunities Trust's preferred shareholders authorize a two-for-one stock-split of Series A preferred shares (Series A Shares) of Municipal Opportunities Trust and a corresponding reduction in liquidation preference from \$50,000 per share to \$25,000 per share. If you hold Series A Shares of Municipal Opportunities Trust, the number of Series A Shares you hold will double as a result of the stock-split, but the aggregate liquidation preference of those shares will remain the same. The terms of Municipal Opportunities Trust's Series A Shares will otherwise remain the same. This proposal is conditioned upon shareholder approval of the proposed mergers and the authorization of the additional preferred shares. For more information about the funds' preferred shares, see Information about the Funds' Preferred Shares below or, for preferred shareholders of the Merging Funds only, Appendix C to this Prospectus/Proxy Statement.

2. Why are the Trustees proposing the issuance of the additional preferred shares?

The authorization of additional preferred shares is required to consummate the proposed mergers discussed in this Prospectus/Proxy Statement so that the combined fund's leverage ratio would not be substantially lower than each fund's current leverage ratio. It is anticipated, however, that based on Putnam Management's analysis of conditions in the tax-exempt securities market, including expectations regarding movements of short-, medium- and long-term interest rates, and the use of leverage by comparable tax-exempt closed-end funds, Putnam Management will recommend that the Trustees of Municipal Opportunities Trust approve the redemption of a portion of Municipal Opportunities Trust's preferred shares following the consummation of the mergers to reduce the combined fund's leverage ratio. As of the date of this Prospectus/Proxy Statement, the Trustees have not approved the proposed redemption. Furthermore, in July 2007, each fund concluded a tender offer in which it repurchased 10% of its outstanding common shares, and accordingly increased the relative percentage of assets attributable to preferred shares.

The funds use leverage from the sale of preferred shares in an effort to increase the income available for distribution to common shareholders. See What are the main investment strategies and related risks of Municipal Opportunities Trust and how do they compare with those of each Merging Fund? Leverage above for a discussion of the risks associated with leverage.

Pursuant to each Plan of Merger, Municipal Opportunities Trust will exchange Preferred Merger Shares for preferred shares of each Merging Fund equal in aggregate liquidation preference to the relevant Merging Funds' preferred shares. The proposed mergers are conditioned upon the preferred shareholders of Municipal Opportunities Trust approving the issuance of the additional preferred shares.

3. Why are the Trustees proposing reducing the liquidation preference of Series A Shares of Municipal Opportunities Trust?

A two-for-one stock-split of Series A Shares of Municipal Opportunities Trust that will reduce the liquidation preference of the Series A Shares from \$50,000 per share to \$25,000 per share is required to facilitate the proposed mergers discussed in this Prospectus/Proxy Statement. In connection with the proposed mergers, holders of each Merging Fund's preferred shares will receive preferred shares of Municipal Opportunities Trust that bear the

same aggregate liquidation preference and dividend period as the shares they currently own. Only Municipal Opportunities Trust's Series A Shares have the same dividend period (*i.e.*, 28 days) as Municipal Bond Fund's Series A preferred shares. The per-share liquidation preference of Municipal Opportunities Trust's Series A Shares, however, is double the per-share liquidation preference of Municipal Bond Fund's Series A preferred shares. As a result, in order for holders of an odd number of Municipal Bond Fund Series A preferred shares to receive only whole

numbers of Series A Shares of Municipal Opportunities Trust in connection with the merger, the liquidation preference of the Series A Shares will have to be reduced by half. In addition, the Remarketing Agent has indicated that a stock-split reducing the liquidation preference of the Series A Shares of Municipal Opportunities Trust may result in an increase in the marketability of those shares.

As a result of the proposed two-for-one stock-split for Series A preferred shares of Municipal Opportunities Trust and the corresponding reduction in liquidation preference of the Series A preferred shares of Municipal Opportunities Trust, the number of authorized and outstanding Series A preferred shares of Municipal Opportunities Trust would increase without a proportionate increase in the authorized shares of the other series of Municipal Opportunities Trust's preferred shares. Accordingly, the voting power of Series A Shares would increase vis á vis the other series of preferred shares of Municipal Opportunities Trust. The approval of each series of Municipal Opportunities Trust's preferred shares, voting separately, would be required in order to approve the reduction in liquidation preference of the Series A Shares.

4. What percentage of shareholders' votes are required for the proposals regarding preferred shares of Municipal Opportunities Trust?

Approval of the issuance of the Preferred Merger Shares requires the affirmative vote of the holders of a majority of the outstanding preferred shares of Municipal Opportunities Trust, all series voting together. Approval of the two-for-one stock-split and the corresponding reduction in liquidation preference of Series A Shares of Municipal Opportunities Trust requires the affirmative vote of the holders of a majority of the outstanding preferred shares of Municipal Opportunities Trust, each series voting separately.

THE TRUSTEES, INCLUDING THE INDEPENDENT TRUSTEES, UNANIMOUSLY RECOMMEND APPROVAL OF THE PROPOSALS REGARDING PREFERRED SHARES OF MUNICIPAL OPPORTUNITIES TRUST.

III. INFORMATION ABOUT THE FUNDS

Each fund is a Massachusetts business trust. Municipal Opportunities Trust is a non-diversified, closed-end management investment company that was organized on May 28, 1993. Investment Grade Municipal Trust and Municipal Bond Fund are both diversified closed-end management investment companies that were organized on October 26, 1989 and November 27, 1992, respectively.

Preferred shares. Each fund has outstanding preferred shares intended to increase the current income available for distribution to holders of the funds' common shares. The preferred shares pay dividends at rates that are adjusted over the short- or medium-term and reflect prevailing short- and medium-term tax-exempt interest rates.

Assuming such comparative yields, the leveraged capital structure of Municipal Opportunities Trust would potentially enable Municipal Opportunities Trust to pay a higher yield on its common shares than investment companies with investment objectives similar to that of Municipal Opportunities Trust, but without an additional class of shares with preference and dividend rights similar to those of Municipal Opportunities Trust's outstanding preferred shares. Use of leverage may, under certain circumstances, cause the yield on Municipal Opportunities Trust's common shares to be lower and cause Municipal Opportunities Trust's net asset value to decline to a greater extent than would be the case if Municipal Opportunities Trust were not to use leverage, as described below.

Municipal Opportunities Trust's use of leverage through issuance of preferred shares requires Municipal Opportunities Trust to meet certain requirements and may entail certain risks. Under the asset coverage requirements of the 1940 Act, the value of the total assets of Municipal Opportunities Trust, less all liabilities and indebtedness of Municipal Opportunities Trust, must be at least equal to 200% of the aggregate liquidation preference of the outstanding preferred shares. The liquidation preference of the preferred shares equals their aggregate original purchase price plus any accrued and unpaid dividends thereon. In addition, Municipal Opportunities Trust is required, at

all times when the preferred shares are outstanding, to meet additional requirements imposed by rating agencies in connection with the rating of the preferred shares, as more fully discussed below. Because of the 1940 Act asset coverage requirements and/or the rating agency requirements, Municipal Opportunities Trust may be required to redeem the preferred shares at a time when, in the judgment of Putnam Management, it may not be desirable to do so.

As long as any preferred shares are outstanding, Municipal Opportunities Trust will not declare, pay, or set apart for payment any dividend or other distribution in respect of the common shares, or call for redemption, redeem, purchase, or otherwise acquire for consideration any common

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shares, unless (i) immediately thereafter, the asset coverage requirements imposed by the 1940 Act and any rating agency are met, (ii) full cumulative dividends on all preferred shares for all past dividend periods have been paid or declared and a sum sufficient for the payment of such dividends set apart for payment, and (iii) Municipal Opportunities Trust has redeemed the full number of preferred shares required to be redeemed pursuant to any provision of the fund's Bylaws requiring such mandatory redemption.

The holders of any preferred shares are entitled to receive dividends on a cumulative basis before any dividend or other distribution may be paid to common shareholders of Municipal Opportunities Trust. Moreover, the terms of the preferred shares require Municipal Opportunities Trust to pay additional dividends (Additional Dividends), on the preferred shares, if income other than exempt interest is required to be allocated to the preferred shares in an amount such that the net after-tax return on the preferred shares would be the same as the net after-tax return that would have been realized if the dividends paid to the holders of the preferred shares, not including any such Additional Dividends, had qualified in their entirety as exempt-interest dividends. Dividends paid to holders of preferred shares will reduce the net tax-exempt and taxable investment income and capital gain net income of Municipal Opportunities Trust available for distribution to its common shareholders.

As noted above, Municipal Opportunities Trust is not permitted to declare any cash dividend or other distribution on its common shares unless, at the time of such declaration, Municipal Opportunities Trust meets the 200% asset coverage requirement (determined after deducting the amount of such dividend or distribution).

Such prohibition on the payment of dividends or other distributions might impair the ability of Municipal Opportunities Trust to maintain its qualification, for federal income tax purposes, as a regulated investment company and/or might cause Municipal Opportunities Trust to be subject to federal tax. Municipal Opportunities Trust intends, however, to the extent possible, to purchase or redeem preferred shares from time to time to maintain such asset coverage of at least 200%.

In addition to the requirements of the 1940 Act, Municipal Opportunities Trust is required under the terms of its Bylaws to comply with other asset coverage requirements as a condition to obtaining a rating of the preferred shares from a nationally recognized rating service. These requirements include an asset coverage test more stringent than under the 1940 Act. These rating agency requirements and the requirements of the 1940 Act limit Municipal Opportunities Trust's ability to take advantage of certain investments which might otherwise be available to it, require Municipal Opportunities Trust to invest a greater portion of its assets in more highly-rated, potentially lower-yielding securities than it might otherwise do, and require Municipal Opportunities Trust to sell a portion of its assets when it might otherwise be disadvantageous to do so. Such requirements also restrict the amount of preferred shares that may be outstanding from time to time. The amount of preferred share leverage used by Municipal Opportunities Trust may vary from time to time depending primarily on Putnam Management's analysis of conditions in the tax-exempt securities market, including expectations regarding movements of short-, medium- and long-term interest rates.

The rating agencies also impose certain requirements as to minimum issue size, issuer and geographical diversification, and other factors in determining portfolio assets that are eligible for computing compliance with their asset coverage requirements. Such requirements may limit Municipal Opportunities Trust's ability to engage in transactions involving options and futures contracts.

In the event that Municipal Opportunities Trust is precluded from making distributions on its common shares because of any applicable asset coverage requirements, the terms of its preferred shares provide that any amounts so precluded from being distributed, but required to be distributed in order for Municipal Opportunities Trust to meet the distribution requirements for federal tax purposes, will be paid to the holders of the preferred shares as a special dividend.

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Each Merging Fund also is subject to the 1940 Act requirements and to rating agency requirements virtually identical to those discussed herein pertaining to Municipal Opportunities Trust.

Financial highlights and senior securities. The financial highlights and senior securities tables are intended to help you understand the funds' recent financial performance. Certain financial highlights information reflects financial results for a single fund share. The total returns represent the rate that an investor would have earned or lost on an investment in the relevant fund, assuming reinvestment of all dividends and distributions. This information has been derived from the funds' financial statements, which have been audited by PricewaterhouseCoopers LLP for Municipal Opportunities Trust and Municipal Bond Fund and by KPMG LLP for Investment Grade Municipal Trust. The information included in the senior securities tables for the last five years has been audited by PricewaterhouseCoopers LLP for Municipal Opportunities Trust and Municipal Bond Fund and by KPMG LLP for Investment Grade Municipal Trust. The reports of each fund's independent registered public accounting firm and the funds' financial statements for the past five fiscal years are included in each fund's annual report to shareholders, which are available upon request.

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PUTNAM MUNICIPAL OPPORTUNITIES TRUST

Financial Highlights

(For a share outstanding throughout the period)

Per-share operating performance

	Year ended April 30							
	2007	2006	2005	2004	2003	2002	2001	2000
Net asset value, beginning of period (common shares)	\$12.85	\$13.15	\$12.72	\$12.98	\$13.00	\$13.00	\$12.51	\$14.00
<i>Investment operations:</i>								
Net investment income (a)	.89	.86	.91	1.00	1.09	1.16	1.15	1.15
Net realized and unrealized gain (loss) on investments	.23	(.30)	.51	(.24)	(.10)	(.10)	.56	(1.50)
Total from investment operations	1.12	(.56)	1.42	.76	.99	1.06	1.71	(.40)
<i>Distributions to preferred shareholders:</i>								
From net investment income	(.28)	(.21)	(.12)	(.07)	(.10)	(.15)	(.31)	(.20)
Total from investment operations (applicable to common shareholders)	.84	.35	1.30	.69	.89	.91	1.40	(.60)
<i>Distributions to common shareholders:</i>								
From net investment income	(.57)	(.68)	(.87)	(.95)	(.91)	(.91)	(.91)	(.91)
Total distributions	(.57)	(.68)	(.87)	(.95)	(.91)	(.91)	(.91)	(.91)
Preferred shares offering costs								
Increase from shares repurchased	.07	.03						
Net asset value, end of period (common shares)	\$13.19	\$12.85	\$13.15	\$12.72	\$12.98	\$13.00	\$13.00	\$12.50
Market value, end of period (common shares)	\$12.20	\$11.68	\$11.72	\$12.47	\$12.48	\$12.50	\$13.59	\$11.60
Total return at market price (%) (common shares) (b)	9.64	5.61	.82	7.49	7.35	(1.57)	25.32	(15.20)
Ratios and supplemental data:								
Net assets, end of period (common shares) (in thousands)	\$200,176	\$203,548	\$212,505	\$205,571	\$209,697	\$210,081	\$210,097	\$202,000

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Ratio of expenses to average net assets (%) (c,d)	1.28	1.37	1.40	1.37	1.41	1.43	1.44	1.45
Ratio of net investment income to average net assets (%) (d)	4.61	4.92	6.15	7.05	7.65	7.63	6.50	6.45
Portfolio turnover (%)	12.60	10.74	29.51	19.19	12.30	20.84	14.59	13.50

(a) Per share net investment income has been determined on the basis of the weighted average number of shares outstanding during the period.

(b) Total return assumes dividend reinvestment.

(c) Includes amounts paid through expense offset arrangements.

(d) Ratios reflect net assets available to common shares only; net investment income ratio also reflects reduction for dividend payments to preferred shareholders.

(e) Series B and Series C preferred shares were issued on July 7, 1997.

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PUTNAM INVESTMENT GRADE MUNICIPAL TRUST

Financial Highlights

(For a share outstanding throughout the period)

Per-share operating performance

	Year ended November 30							
	2006	2005	2004	2003	2002	2001	2000	1999
Net asset value, beginning of period (common shares)	\$10.81	\$10.73	\$10.71	\$10.41	\$10.96	\$10.88	\$10.71	\$10.65
<i>Investment operations:</i>								
Net investment income (a)	.73	.70	.76	.84	.95	1.01	1.03	1.05
Net realized and unrealized gain (loss) on investments	.27	.07	.06	.36	(.60)	(.02)	.26	(.01)
Total from investment operations	1.00	.77	.82	1.20	.35	.99	1.29	1.04
<i>Distributions to preferred shareholders:</i>								
From net investment income	(.23)	(.15)	(.08)	(.07)	(.10)	(.20)	(.28)	(.28)
Total from investment operations (applicable to common shareholders)	.77	.62	.74	1.13	.25	.79	1.01	.76

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Distributions to common shareholders:

From net investment income	(.49)	(.55)	(.72)	(.83)	(.80)	(.71)	(.84)	(.84)
Total distributions	(.49)	(.55)	(.72)	(.83)	(.80)	(.71)	(.84)	(.84)
Increase from shares repurchased	.06	.01						
Net asset value, end of period (common shares)	\$11.15	\$10.81	\$10.73	\$10.71	\$10.41	\$10.96	\$10.88	\$10.88
Market value, end of period (common shares)	\$9.96	\$9.34	\$9.67	\$10.74	\$10.75	\$10.67	\$9.81	\$9.81
Total return at market price (%) (common shares) (b)	12.20	2.26	(3.46)	8.07	8.58	15.96	(11.14)	(11.14)
Ratios and supplemental data:								
Net assets, end of period (common shares) (in thousands)	\$225,924	\$230,435	\$229,938	\$229,140	\$221,432	\$231,983	\$229,854	\$225,924
Ratio of expenses to average net assets (%) (c,d)	1.29	1.40	1.39	1.42	1.46	1.49	1.47	1.47
Ratio of net investment income to average net assets (%) (d)	4.61	5.00	6.34	7.26	7.99	7.19	7.10	7.10
Portfolio turnover (%)	11.53	24.16	29.59	32.72	19.25	23.05	24.90	24.90

(a) Per share net investment income has been determined on the basis of the weighted average number of shares outstanding during the period.

(b) Total return assumes dividend reinvestment.

(c) Includes amounts paid through expense offset arrangements.

(d) Ratios reflect net assets available to common shares only; net investment income ratio also reflects reduction for dividend payments to preferred shareholders.

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Financial Highlights

(For a share outstanding throughout the period)

Per-share operating performance

	Year ended April 30							
	2007	2006	2005	2004	2003	2002	2001	2000
Net asset value, beginning of period (common shares)	\$13.42	\$13.88	\$13.34	\$13.25	\$13.14	\$13.10	\$12.52	\$13.00
<i>Investment operations:</i>								
Net investment income (a)	.84(g)	.92	.92	.99	1.09	1.05	1.00	1.00
Net realized and unrealized gain (loss) on investments	.28	(.41)	.62	.10	.03	(.03)	.56	(1.3)
Total from investment operations	1.12	.51	1.54	1.09	1.12	1.02	1.56	(.3)
<i>Distributions to preferred shareholders:</i>								
From net investment income	(.29)	(.22)	(.12)	(.08)	(.10)	(.13)(e)	(.20)	(.1)
Total from investment operations (applicable to common shareholders)	.83	.29	1.42	1.01	1.02	.89	1.36	(.5)
<i>Distributions to common shareholders:</i>								
From net investment income	(.63)	(.77)	(.88)	(.92)	(.91)	(.79)	(.78)	(.8)
Total distributions	(.63)	(.77)	(.88)	(.92)	(.91)	(.79)	(.78)	(.8)
Preferred share offering costs						(.06)(e)		
Increase from shares repurchased	.02	.02						
Net asset value, end of period (common shares)	\$13.64	\$13.42	\$13.88	\$13.34	\$13.25	\$13.14	\$13.10	\$12.52
Market value, end of period (common shares)	\$12.61	\$12.10	\$12.16	\$12.03	\$12.48	\$12.33	\$12.10	\$10.00
Total return at market price (%) (common shares) (b)	9.65	5.78	8.41	3.55	8.84	8.70	22.37	(25.7)
<i>Ratios and supplemental data:</i>								
Net assets, end of period (common shares) (in thousands)	\$228,977	\$228,839	\$239,356	\$230,091	\$228,537	\$226,475	\$175,018	\$167,100
Ratio of expenses to average net assets (%) (c,d)	1.25	1.34	1.35	1.35	1.35	1.46	1.33	1.33

Ratio of net investment income to average net assets (%) (c)	4.04(g)	5.09	5.87	6.75	7.46	6.95	6.19	6.
Portfolio turnover (%)	15.30	12.15	31.04	20.78	25.90	27.47(f)	38.53	17.

(a) Per share net investment income has been determined on the basis of the weighted average number of shares outstanding during the period.

(b) Total return assumes dividend reinvestment.

(c) Ratios reflect net assets available to common shares only; net investment income ratio also reflects reduction for dividend payments to preferred shareholders.

(d) Includes amounts paid through expense offset arrangements.

(e) Series A Auction Rate Municipal Preferred Shares were issued in exchange for Series A, Series B and Municipal Income remarketed preferred shares on November 1, 2001, and on the same date, there was an additional issuance of Series B Auction Rate Municipal Preferred Shares.

(f) Portfolio turnover excludes the impact of assets received from the acquisition of Putnam Investment Grade Municipal Trust III.

(g) Includes non-recurring adjustment of \$1.2 million to correct premium amortization of certain bonds purchased by the fund during the period from July 25, 2001 to April 30, 2006. For the year ended April 30, 2007, this adjustment resulted in a decrease of \$0.07 in the net investment income per share and a decrease of 0.53% in the ratio of net investment income to average net assets.

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SENIOR SECURITIES TABLES

Municipal Opportunities Trust

	Year ended April 30							
	2007	2006	2005	2004	2003	2002	2001	2000
Preferred shares outstanding, end of period (in thousands)	\$121,000	\$121,000	\$121,000	\$121,000	\$121,000	\$121,000	\$121,000	\$121,000
Asset Coverage ratio per Preferred Share	265%	268%	275%	270%	273%	274%	273%	
Liquidation Preference per Preferred Share								
Series A	\$50,156	\$50,135	\$50,096	\$50,035	\$50,036	\$50,046	\$50,115	\$50,115
Series B	\$25,018	\$25,015	\$25,009	\$25,003	\$25,002	\$25,001	\$25,016	\$25,016

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Series C	\$25,011	\$25,007	\$25,004	\$25,001	\$25,005	\$25,006	\$25,010	\$
Average Market Value per Preferred Shares (a)								
Series A	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$
Series B	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$
Series C	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$

(a) Represents the average over the calendar year of the market value determined on each remarketing date for Preferred Shares, typically every 28 days for Series A Preferred Shares and every 7 days for Series B and Series C Preferred Shares.

Investment Grade Municipal Trust

	Year ended November 30							
	2006	2005	2004	2003	2002	2001	2000	1999
Preferred shares outstanding, end of period (in thousands)	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000
Asset Coverage ratio per Preferred Share	261%	264%	264%	264%	258%	266%	264%	
Liquidation Preference per Preferred Share	\$100,059	\$100,040	\$100,019	\$100,006	\$100,004	\$100,030	\$100,070	\$100,000
Average Market Value per Preferred Shares (a)	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000

(a) Represents the average over the calendar year of the market value determined on each remarketing date for Preferred Shares, typically every 7 days.

Municipal Bond Fund

	Year ended April 30							
	2007	2006	2005	2004	2003	2002	2001	2000
Preferred shares outstanding, end of period (in thousands)	\$133,000	\$133,000	\$133,000	\$133,000	\$133,000	\$133,000	\$63,000	\$63,000
Asset Coverage ratio per Preferred Share	272%	272%	280%	273%	272%	270%	377%	377%
Liquidation Preference per Preferred Share								
Series A	\$25,027	\$25,023	\$25,016	\$25,005	\$25,005	\$25,006	\$50,094	\$50,000
Series B	\$25,012	\$25,007	\$25,004	\$25,001	\$25,006	\$25,008	\$50,061	\$50,000
Average Market Value per Preferred Shares (a)								

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Series A	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$50,000	\$50
Series B	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$50,000	\$50

(a) Represents the average over the calendar year of the market value determined on each auction date for Preferred Shares, typically every 28 days for Series A Preferred Shares and every 7 days for Series B Preferred Shares.

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Investment restrictions. Each fund has adopted certain investment restrictions that may not be changed without the affirmative vote of a majority of the outstanding voting securities of the fund, which is defined in the 1940 Act to mean the affirmative vote of the lesser of (1) more than 50% of the outstanding common shares and outstanding preferred shares of the fund, each voting as a separate class, or (2) 67% or more of the outstanding common shares and of the outstanding preferred shares, each voting as a separate class, present at a meeting if more than 50% of the outstanding shares of each class are represented at the meeting in person or by proxy (so-called fundamental policies). As noted, the investment policies of the funds are substantially similar, however, there are some differences. The following tables compare the fundamental policies of Municipal Opportunities Trust, which will remain unchanged, with each of the Merging Funds. Where only one investment policy is set forth with respect to a given category, the investment policy of Municipal Opportunities Trust and the Merging Fund are identical.

Comparison of Municipal Opportunities Trust and Investment Grade Municipal Trust

	Municipal Opportunities Trust	Investment Grade Municipal Trust
Senior Securities	The fund may not issue senior securities, as defined in the 1940 Act, other than shares of beneficial interest with preference rights, except to the extent such issuance might be involved with respect to borrowings described under restriction [regarding borrowing] below or with respect to transactions involving financial futures, options, and other financial instruments.	The fund may not issue senior securities, as defined in the 1940 Act, other than shares of beneficial interest with preference rights, except to the extent such issuance might be involved with respect to borrowings described under restriction [regarding borrowing] below or with respect to transactions involving futures contracts or the writing of options within the limits described in the prospectus.
Borrowing	The fund may not borrow money in excess of 10% of the value (taken at the lower of cost or current value) of its total assets (not including the amount borrowed) at the time the borrowing is made, and then only from banks as a temporary measure (not for leverage) in situations which might otherwise require the untimely disposition of portfolio investments or for extraordinary or emergency purposes. Such borrowings will be repaid before any additional investments are purchased.	The fund may not borrow money, except that the fund may borrow amounts not exceeding 15% of the value (taken at the lower of cost or current value) of its total assets (not including the amount borrowed) at the time the borrowing is made for temporary purposes (including repurchasing its shares while effecting an orderly liquidation of portfolio securities) or for emergency purposes.
Underwriting	The fund may not underwrite securities issued by other persons except to the extent that, in connection with the disposition of its portfolio investments, it may be deemed to be an underwriter under the federal securities laws.	
Real Estate	The fund may not purchase or sell real estate, although it may purchase securities of issuers which deal in real estate, securities which are secured by interests in real estate, and securities representing interests in real estate, and it may	

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acquire and dispose of real estate or interests in real estate acquired through the exercise of its rights as a holder of debt obligations secured by real estate or interests therein.

Commodities	The fund may not purchase or sell commodities or commodity contracts, except that the fund may purchase and sell financial futures contracts and options and may enter into foreign exchange contracts and other financial transactions not involving physical commodities.	
Loans	The fund may not make loans, except by purchase of debt obligations in which the fund may invest consistent with its investment policies (including without limitation debt obligations issued by other Putnam funds), by entering into repurchase agreements or by lending its portfolio securities.	
Diversification	The fund may not, with respect to 50% of its total assets, invest in securities of any issuer if, immediately after such investment, more than 5% of the total assets of the fund (taken at current value) would be invested in the securities of such issuer; provided that this limitation does not apply to obligations issued or guaranteed as to interest or principal by the U.S. Government or its agencies or instrumentalities.	The fund may not, with respect to 75% of its total assets, invest in securities of any issuer if, immediately after such investment, more than 5% of the total assets of the fund (taken at current value) would be invested in the securities of such issuer; provided that this limitation does not apply to securities of the U.S. Government or its agencies or instrumentalities.

Comparison of Municipal Opportunities Trust and Investment Grade Municipal Trust continued

	Municipal Opportunities Trust	Investment Grade Municipal Trust
Voting Securities	The fund may not, with respect to 50% of its total assets, acquire more than 10% of the outstanding voting securities of any issuer.	The fund may not, with respect to 75% of its total assets, acquire more the 10% of the outstanding voting securities of any issuer.
Concentration	The fund may not purchase securities (other than securities of the U.S. Government, its agencies or instrumentalities or tax-exempt securities, except tax-exempt securities backed only by the assets and revenues of non-governmental issuers) if, as a result of such purchase, more than 25% of the fund's total assets would be invested in any one industry.	

Comparison of Municipal Opportunities Trust and Municipal Bond Fund

	Municipal Opportunities Trust	Municipal Bond Fund
Senior Securities	The fund may not issue senior securities, as defined in the 1940 Act, other than shares of beneficial interest with preference rights, except to the extent such issuance might be involved with respect to borrowings described under restriction [regarding borrowing] below or with respect to transactions involving financial futures, options, and other financial instruments.	
Borrowing	The fund may not borrow money in excess of 10% of the value (taken at the lower of cost or current value) of its total assets (not including the amount borrowed) at the time the borrowing is made, and then only from banks as a temporary measure (not for leverage) in situations which might otherwise require the untimely disposition of port-	

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folio investments or for extraordinary or emergency purposes. Such borrowings will be repaid before any additional investments are purchased.

Underwriting	The fund may not underwrite securities issued by other persons except to the extent that, in connection with the disposition of its portfolio investments, it may be deemed to be an underwriter under the federal securities laws.	
Real Estate	The fund may not purchase or sell real estate, although it may purchase securities of issuers which deal in real estate, securities which are secured by interests in real estate, and securities representing interests in real estate, and it may acquire and dispose of real estate or interests in real estate acquired through the exercise of its rights as a holder of debt obligations secured by real estate or interests therein.	
Commodities	The fund may not purchase or sell commodities or commodity contracts, except that the fund may purchase and sell financial futures contracts and options and may enter into foreign exchange contracts and other financial transactions not involving physical commodities.	
Loans	The fund may not make loans, except by purchase of debt obligations in which the fund may invest consistent with its investment policies (including without limitation debt obligations issued by other Putnam funds), by entering into repurchase agreements or by lending its portfolio securities.	
Diversification	The fund may not, with respect to 50% of its total assets, invest in securities of any issuer if, immediately after such investment, more than 5% of the total assets of the fund (taken at current value) would be invested in the securities of such issuer; provided that this limitation does not apply to obligations issued or guaranteed as to interest or principal by the U.S. Government or its agencies or instrumentalities.	The fund may not with respect to 75% of its total assets, invest in securities of any issuer if, immediately after such investment, more than 5% of the total assets of the fund (taken at current value) would be invested in the securities of such issuer; provided that this limitation does not apply to obligations issued or guaranteed as to interest or principal by the U.S. Government or its agencies or instrumentalities.

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Comparison of Municipal Opportunities Trust and Municipal Bond Fund continued

	Municipal Opportunities Trust	Municipal Bond Fund
Voting Securities	The fund may not, with respect to 50% of its total assets, acquire more than 10% of the outstanding voting securities of any issuer.	The fund may not, with respect to 75% of its total assets, acquire more the 10% of the outstanding voting securities of any issuer.
Concentration	The fund may not purchase securities (other than securities of the U.S. Government, its agencies or instrumentalities or tax-exempt securities, except tax-exempt securities backed only by the assets and revenues of non-governmental issuers) if, as a result of such purchase, more than 25% of the fund's total assets would be invested in any one industry.	

All percentage limitations on investments described in the tables above apply at the time of investment and are not considered violated unless an excess or deficiency occurs or exists immediately after and as a result of such investment. In addition to the fundamental policies discussed above, Municipal Opportunities Trust invests at least 80% of its total assets in investment grade municipal bonds, Investment Grade Municipal Trust invests at least 80% of its total assets in tax-exempt investment grade municipal securities, and Municipal Bond Fund invests at least 80% of its assets in investment grade tax-exempt securities which are not perceived as involving risk to principal. While the 80% policies are not

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identical, the differences are minor and do not lead to significant differences in the management of each fund.

Management. Each fund's Trustees oversee the general conduct of each fund's business. The funds have the same Trustees. The Trustees have retained Putnam Management to serve as each fund's investment manager, responsible for making investment decisions for each fund and managing each fund's other affairs and business. The basis for the Trustees' approval of Municipal Opportunities Trust's management and administrative services contracts is discussed in that fund's annual report to shareholders dated April 30, 2007; the basis for the Trustees' approval of Investment Grade Municipal Trust's management contract is discussed in that fund's semi-annual report to shareholders dated May 31, 2007; and the basis for the Trustees' approval of Municipal Bond Fund's management contract is discussed in that fund's annual report to shareholders dated April 30, 2007.

Putnam Management is paid for management, investment advisory and administrative services to Municipal Opportunities Trust quarterly based on the lesser of (i) an annual rate of 0.35% of the fund's average net assets attributable to common shares and preferred shares outstanding or (ii) the following annual rates expressed as a percentage of the fund's average net assets attributable to common shares and preferred shares outstanding: 0.45% of the first \$500 million, 0.35% of the next \$500 million, 0.30% of the next \$500 million, 0.25% of the next \$5 billion, 0.225% of the next \$5 billion, 0.205% of the next \$5 billion, 0.19% of the next \$5 billion, and 0.18% thereafter. In addition, Putnam Management is paid for administrative services to Municipal Opportunities Trust quarterly based on an annual rate of 0.20% of the fund's average net assets attributable to common and preferred shares outstanding.

Putnam Management is paid a management and investment advisory fee for services it provides to Investment Grade Municipal Trust and Municipal Bond Fund. For each fund, the management fee is paid quarterly and based on the lesser of (i) an annual rate of 0.55% of the fund's average net assets attributable to common shares and preferred shares outstanding or (ii) the following annual rates expressed as a percentage of the fund's average net assets attributable to common shares and preferred shares outstanding: 0.65% of the first \$500 million, 0.55% of the next \$500 million, 0.50% of the next \$500 million, 0.45% of the next \$5 billion, 0.425% of the next \$5 billion, 0.405% of the next \$5 billion, 0.39% of the next \$5 billion, and 0.38% thereafter.

Under each of these agreements, if dividends payable on preferred shares during any dividend period plus any expenses attributable to preferred shares for that period exceed the fund's net income and net short-term capital gains attributable to the proceeds of the preferred shares during that period, in each case as determined in accordance with procedures established by the fund's Trustees, then the fees payable to Putnam Management for that period will be reduced by the amount of the excess (but not by more than the effective management fee rate under the contract multiplied by the aggregate liquidation preference of the preferred shares outstanding during the period).

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Putnam Management, located at One Post Office Square, Boston, Massachusetts 02109, is a subsidiary of Putnam, LLC, which is also the parent company of Putnam Retail Management Limited Partnership, Putnam Advisory Company, LLC (a wholly owned subsidiary of Putnam Advisory Company, Limited Partnership), Putnam Investments Limited (a wholly owned subsidiary of The Putnam Advisory Company, LLC) and Putnam Fiduciary Trust Company. Putnam, LLC, which generally conducts business under the name Putnam Investments, is a wholly-owned subsidiary of Putnam Investments Trust, a holding company that, except for a minority stake owned by employees, is owned by Great-West Lifeco Inc., a subsidiary of Power Financial Corporation. Power Financial Corporation is a diversified management and holding company that has interests, directly or indirectly, in companies that are active in the financial services sector in Canada, the United States and Europe. It also has substantial holdings in a group of energy, water, waste services, specialty minerals and cement and building materials companies based in Europe. Great-West Lifeco Inc. purchased its majority interest in Putnam Investments Trust on August 3, 2007 from Marsh & McLennan Companies, Inc., a publicly-owned holding company whose principal businesses are international insurance and reinsurance brokerage and employee benefit consulting.

Investment management team. Putnam Management's investment professionals are organized into investment management teams, with a particular team dedicated to a specific asset class. The members of the Tax-Exempt Fixed-Income Team manage the investments of Municipal Opportunities Trust and each Merging Fund. The names of all team members can be found at www.putnam.com.

The team members identified below as each fund's Portfolio Leader and Portfolio Members coordinate the team's efforts related to Municipal Opportunities Trust and each Merging Fund and are primarily responsible for the day-to-day management of each fund's portfolio. In addition to these individuals, the team also includes other investment professionals, whose analysis, recommendations and research inform investment decisions made for the funds.

Portfolio Leader	Joined Funds	Employer	Positions Over Past Five Years
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Thalia Meehan	2006	Putnam Management 1989 Present	Team Leader, Tax Exempt Fixed Income Team Previously, Director, Tax Exempt Research
Portfolio Members	Joined Funds	Employer	Positions Over Past Five Years
Paul Drury	2002	Putnam Management 1989 Present	Tax Exempt Specialist Previously, Portfolio Manager Senior Trader
Brad Libby	2006	Putnam Management 2001 Present	Tax Exempt Specialist Previously, Analyst
Susan McCormack	2002	Putnam Management 1994 Present	Tax Exempt Specialist Previously, Portfolio Manager

For more information on the other accounts that these individuals manage, these individuals' compensation and ownership of Municipal Opportunities Trust's shares, see the Merger SAI.

The funds pay all expenses not assumed by Putnam Management, including Trustees' fees, auditing, legal, custodial, investor servicing and shareholder reporting expenses. The funds also reimburse Putnam Management for the compensation and related expenses of certain funds officers and their staff who provide administrative services. The total reimbursement is determined annually by the Trustees.

Effective January 1, 2007, the funds retained State Street Bank and Trust Company (State Street), 2 Avenue de Lafayette, Boston, Massachusetts 02111, as their custodian. (State Street also provides certain administrative pricing and bookkeeping services.) Putnam Fiduciary Trust Company (PFTC), the funds' previous custodian, managed the transfer of the funds' assets to State Street. State Street is responsible for safeguarding and controlling the funds' cash and securities, handling the receipt and delivery of securities, collecting interest and dividends on the funds' investments, serving as the funds' foreign custody manager, providing reports on foreign securities depositaries, making payments covering the expenses of the funds and performing other administrative duties. State Street does not determine the investment policies of the funds or decide which securities the funds will buy or sell. State Street has a lien on the funds' assets to secure charges and advances made by it.

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The funds pay State Street an annual fee based on the funds' assets held with State Street and on securities transactions processed by State Street and reimburses State Street for certain out-of-pocket expenses. The funds will make payments to PFTC in 2007 for managing the transition of custody services from PFTC to State Street and for providing oversight services. The funds may from time to time enter into brokerage arrangements that reduce or recapture fund expenses, including custody expenses. The funds also have an offset arrangement that may reduce the funds' custody fee based on the amount of cash maintained by their custodian. Putnam Investor Services, a division of PFTC, P.O. Box 8383, Boston, Massachusetts 02266-8383, is the investor servicing, transfer and dividend disbursing agent for the funds.

Description of fund shares. The Trustees of each fund have authority to issue an unlimited number of shares of beneficial interest without par value in such classes and series as may be provided for in the Bylaws. The Bylaws of Municipal Opportunities Trust currently authorize the issuance of up to 800 Series A preferred shares, 1,620 Series B preferred shares and 1,620 Series C preferred shares (and approval of the holders

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of Municipal Opportunities Trust's outstanding preferred shares is currently being sought to authorize \$273 million in Preferred Merger Shares); the Bylaws of Investment Grade Municipal Trust currently authorize the issuance of up to 2,000 Series A preferred shares (of which there are 1,400 outstanding) and 2,000 Series I preferred shares (of which there are none outstanding); and the Bylaws of Municipal Bond Fund currently authorize the issuance of up to 2,920 Series A preferred shares and 2,400 Series B preferred shares. The Bylaws of each fund also prohibit the fund from offering additional preferred shares on parity with or having priority on liquidation over the fund's outstanding preferred shares without the approval of a majority of the fund's outstanding preferred shares. Except for the Merger Shares to be issued in the mergers, the funds do not have a present intention of offering additional shares. All other offerings of a fund's shares require approval of the Trustees. Any additional offering of common shares would be subject to the requirements of the 1940 Act that such shares may not be sold at a price per common share below the then-current net asset value per share, exclusive of underwriting discounts and commissions, except in connection with an offering to existing common shareholders or with the consent of the holders of a majority of a fund's outstanding common shares.

The outstanding common shares of each fund are, and the Common Merger Shares, when issued and sold, will be, except as described under Description of the Merger Shares above, fully paid and non-assessable by the fund. The outstanding common shares of each fund have, and the Common Merger Shares will have, no preemptive, conversion, exchange or redemption rights. Each common share of a fund has one vote, with fractional shares voting proportionately, and is freely transferable.

Common shares of each fund are traded on the NYSE, with an average weekly trading volume for the year ended December 31, 2006 of 29,494 shares for Municipal Opportunities Trust, 30,874 shares for Investment Grade Municipal Trust, and 22,933 shares for Municipal Bond Fund.

Series A, Series B and Series C preferred shares of Municipal Opportunities Trust have a liquidation preference of \$50,000, \$25,000 and \$25,000 per share, respectively, plus an amount equal to accumulated but unpaid dividends (whether or not earned or declared). If the proposal regarding the two-for-one stock-split of Series A preferred shares of Municipal Opportunities Trust is approved, the liquidation preference of Series A preferred shares of Municipal Opportunities Trust will be \$25,000. Each series of preferred shares of Investment Grade Municipal Trust has a liquidation preference of \$100,000 per share plus an amount equal to accumulated but unpaid dividends (whether or not earned or declared). Each series of preferred shares of Municipal Bond Fund has a liquidation preference of \$25,000 per share plus an amount equal to accumulated but unpaid dividends (whether or not earned or declared). Preferred Merger Shares have a liquidation preference of \$50,000 per share (Series A) or \$25,000 per share (Series B and Series C), plus, in each case, an amount equal to accumulated but unpaid dividends (whether or not earned or declared). All outstanding preferred shares are, and all Preferred Merger Shares, when issued and sold, will be, except as described under Description of the Merger Shares above, fully paid and non-assessable and not convertible into common shares. Further, such shares do not, and will not, have any preemptive rights. Such preferred shares are not, and will not be, subject to any sinking fund, but are redeemable under certain circumstances.

The Bylaws of each fund provide generally that holders of preferred shares will be entitled to receive, when, as and if declared by the fund, cumulative cash dividends for each dividend period (generally either 28 days for Series A preferred shares of Municipal Opportunities

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Trust and Series A preferred shares of Municipal Bond Fund or 7 days for Series B and Series C preferred shares of Municipal Opportunities Trust, Series B preferred shares of Municipal Bond Fund and preferred shares of Investment Grade Municipal Trust, although the fund may, subject to certain conditions, designate a special dividend period of longer periods) at an annual rate set in accordance with the procedures set forth in the fund's Bylaws. The holder of a preferred share may elect, by following the notice procedures set forth in the fund's Bylaws, to tender such share in any remarketing or auction, as the case may be, or to hold such share for the next dividend period. In the case of Municipal Opportunities Trust and Investment Grade Municipal Trust, the dividend rate applicable to a dividend period for preferred shares of the fund is the rate that the fund's remarketing agent determines is the lowest rate that will enable it to remarket, on behalf of the holders of such preferred shares, all preferred shares tendered in such remarketing. In the case of Municipal Bond Fund, the dividend rate applicable to a dividend period for preferred shares of the fund is the rate that results from an auction for shares of such series on the applicable offering date immediately preceding the rate period. In each case, the dividend rate is subject to a maximum rate based on the credit rating assigned to such preferred shares and an applicable reference rate (the maximum rate is increased for periods during which the fund has failed to make dividend payments on preferred shares when due). If a fund includes any income subject to regular federal income tax in a dividend on preferred shares, it will generally be required to pay Additional Dividends on such preferred shares in an amount that approximates the related regular federal income tax effects. The preferred shares of each fund are generally held only in book entry form through The Depository Trust Company; transfers of beneficial ownership of preferred shares will be recorded only in accordance with the procedures of the fund's paying agent.

Each fund's preferred shares are subject to mandatory redemption in the event the fund should fail to meet the asset coverage requirements imposed by the 1940 Act or by the agencies rating such preferred shares, and, subject to certain conditions (including the condition that the fund be current in the payment of dividends on all preferred shares), to involuntary redemption, either in part or full, at the option of the fund, at a price equal to the applicable liquidation preference (plus any applicable premium, if the fund has designated a premium call period).

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The Bylaws of each fund require that the holders of the fund's preferred shares, voting as a separate class, have the right to elect at least two Trustees at all times, and to elect a majority of the Trustees at any time two years dividends on the preferred shares are unpaid. The holders of each fund's preferred shares will vote as a separate class on certain other matters as required by the fund's Bylaws, the 1940 Act and Massachusetts law, including with respect to Investment Grade Municipal Trust, the merger or consolidation of the fund. The Bylaws of Municipal Opportunities Trust and Municipal Bond Fund provide that common and preferred shareholders of the fund will vote together on the merger or consolidation of the fund (except in the case of Municipal Bond Fund, when the merger would adversely affect the preferred shares). However, the Bylaws of Municipal Opportunities Trust and Municipal Bond Fund also provide that common and preferred shareholders of each fund must vote separately on any action requiring a vote of securities holders under Section 13(a) of the 1940 Act, which includes changing a fund's sub-classification from a diversified to a non-diversified company. Because the merger will have the effect of changing Municipal Bond Fund's sub-classification from diversified to non-diversified investment company, the preferred shareholders of Municipal Bond Fund also will vote separately on the proposed merger with Municipal Opportunities Trust.

Except as expressly required by applicable law or expressly set forth in the funds' Agreement and Declaration of Trust and Bylaws and as otherwise indicated in this Prospectus/Proxy Statement, each holder of preferred shares and each holder of common shares of the funds shall be entitled to one vote for each share held on each matter submitted to a vote of shareholders of the fund, and the holders of outstanding preferred shares and of common shares shall vote together as a single class. The Agreement and Declaration of Trust and Bylaws of each fund may not be amended in a manner that would materially and adversely affect its preferred shareholders without the consent of holders of a majority of its outstanding preferred shares. For more information about the funds' preferred shares, see Information about the Funds-Preferred Shares or, for preferred shareholders of the Merging Funds only, Appendix C.

Set forth below is information about each fund's securities as of July 20, 2007:

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Municipal Opportunities Trust

Title of Class	Amount Authorized	Amount Held by Fund	Amount Outstanding
Common Shares	unlimited	0	13,655,259
Preferred Shares			
Series A	800	0	800
Series B	1,620	0	1,620
Series C	1,620	0	1,620

Investment Grade Municipal Trust

Title of Class	Amount Authorized	Amount Held by Fund	Amount Outstanding
Common Shares	unlimited	0	18,211,848
Preferred Shares			
Series A	2,000	0	1,400
Series I	2,000	0	0

Municipal Bond Fund

Title of Class	Amount Authorized	Amount Held by Fund	Amount Outstanding
Common Shares	unlimited	0	15,106,238
Preferred Shares			
Series A	2,920	0	2,920
Series B	2,400	0	2,400

Declaration of trust and bylaws. Each fund's Agreement and Declaration of Trust includes provisions that could have the effect of limiting the ability of other entities or persons to acquire control of the fund, or to cause it to engage in certain transactions or to modify its structure. The affirmative vote of at least two-thirds of the outstanding common and preferred shares of a fund, voting together, is required to authorize any of the following actions:

- (1) merger or consolidation of the fund,
- (2) sale of all or substantially all of the assets of the fund,
- (3) conversion of the fund to an open-end investment company, or
- (4) amendment of the Agreement and Declaration of Trust to reduce the two-thirds vote required to authorize the actions in (1) through (3) above.

With respect to any of the actions listed in (1) through (3) above, if authorized by the affirmative vote of two-thirds of the total number of Trustees, a vote of a majority of the outstanding common and preferred shares of a fund, voting together, serves as sufficient authorization for the action pursuant to each fund's Declaration of Trust.

The Trustees have determined that the two-thirds voting requirements described above, which are greater than the minimum requirements under the 1940 Act, are in the best interests of each fund and its shareholders generally. Reference is made to the Agreement and Declaration of Trust of each fund, on file with the SEC, for the full text of these provisions. These provisions could have the effect of depriving shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging a third party from seeking to obtain control of a fund in a tender offer or similar transaction and may have the net effect of inhibiting the fund's conversion to open-end status.

The Bylaws of Investment Grade Municipal Trust contain stricter voting requirements with respect to certain actions than the fund's Agreement and Declaration of Trust. For example, the authorization for the merger or consolidation of the fund requires the affirmative vote of the applicable percentage (i.e., two-thirds or a majority, as determined by the Declaration of Trust and noted above) of the outstanding common and preferred shares of Investment Grade Municipal Trust each voting separately as a class. (The approval of the proposed merger by at least a majority of the common and preferred shareholders of Municipal Bond Fund voting separately as a class also is required by the fund's Bylaws because the merger will result in changing the fund's sub-classification from a diversified company to a non-diversified company.)

In addition, the Declaration of Trust for Investment Grade Municipal Trust requires that shareholders of Investment Grade Municipal Trust be given the opportunity to vote, at the next annual meeting, on a proposal to convert the fund from a closed-end investment company to open-end status (a so-called "sunroofing provision") if the fund's common shares have traded at an average discount of more than 10% from its net asset value per share during the last twelve calendar weeks of the preceding fiscal year (measured as of the last trading day in each such week). Although Investment Grade Municipal Trust triggered this provision for its next annual meeting, the annual meeting will not occur if the proposed merger with Municipal Opportunities Trust is approved. Additionally, if the proposed merger is approved, shareholders of the combined fund will not have the right to vote on a proposal to convert Municipal Opportunities Trust from a closed-end investment company to open-end status because Municipal Opportunities Trust's Declaration of Trust does not contain a similar provision. Thus one effect of approving the merger for shareholders of Investment

Grade Municipal Trust is that they would cease to be shareholders of a fund subject to a sunroofing provision.

Trading discounts and repurchase of shares.

Because each fund is a closed-end investment company, common shareholders of each fund do not, and will not, have the right to redeem their shares. Shares of the funds trade in the open market at a price which is a function of several factors, including yield and net asset value of the shares and the extent of market activity. Shares of closed-end investment companies frequently trade at a discount from net asset value, but in some cases trade at a premium. When a fund repurchases its shares at a price below their net asset value, the net asset value of those shares that remain outstanding will be increased, but this does not necessarily mean that the market price of those outstanding shares will be affected either positively or negatively.

The Trustees carefully monitor the trading prices of each fund's shares, recognizing that trading prices and discounts fluctuate over time. At times when the fund trades at a material discount for an extended period of time, the Trustees may examine possible factors contributing to the situation and consider a broad range of possible actions in an effort to reduce or eliminate the discount. Such actions that could be implemented consistent with the fund's closed-end structure might include:

Communications with the marketplace regarding the benefits of investing in each fund in an effort to increase investor demand for the fund's shares;

Repurchases by each fund of its shares at prevailing market prices; and

Tender offers by each fund to repurchase its shares at net asset value (or at a price above market and below net asset value).

It is possible that these actions may have a temporary effect on the fund's trading discount, but industry experience suggests that they generally have little, if any, long term impact. Repurchases of shares, whether in the market or in tender offers, reduce the fund's size and may result in an increase in the fund's expense ratio. To the extent that shares are repurchased at prices below net asset value, such repurchases would also enhance the net asset value of the fund's shares and the total return for remaining shareholders. The Trustees have authorized share repurchases by certain Putnam closed-end funds on past occasions. More recently, in October 2005 and through subsequent actions, the Trustees authorized all of the Putnam closed-end funds, including Municipal Opportunities Trust and each Merging Fund, to repurchase up to 10% of their outstanding shares at market prices through October 2007. Under that repurchase program, Municipal Opportunities Trust, Investment Grade Municipal Trust and Municipal Bond Fund repurchased shares representing 6.1%, 5.6% and 2.7%, respectively, of such fund's net assets during the period from October 2005 through April 30, 2007. In early 2007, the Trustees approved, for eight Putnam closed-end funds, including the funds, a comprehensive program to conduct tender offers for up to 10% of the outstanding common shares, at a purchase price equal to 98% of the fund's per-share net asset value at the closing date of the offer. These tender offers expired in July 2007 and resulted in the full 10% of outstanding common shares being repurchased by each of the funds.

See Information about the Funds' Trading Information on page 47.

Determination of net asset value. Each fund calculates the net asset value of a share at least weekly by dividing the total value of its assets, less liabilities and the net assets allocated to the preferred shares, by the number of its shares outstanding. Each fund's shares are valued as of the close of regular trading on the NYSE each day the exchange is open.

Each fund values its investments for which market quotations are readily available at market value. They value all other investments and assets at their fair value. The fair value determined for an investment may differ from recent market prices for an investment.

Each fund's tax-exempt investments are generally valued at fair value on the basis of valuations provided by an independent pricing service approved by the applicable fund's Trustees. Such services determine valuations for normal institutional-size trading units of such securities using information with respect to transactions in the bond being valued, quotations from bond dealers, market transactions in comparable securities and various relationships, generally recognized by institutional traders, between securities in determining value.

Dividend reinvestment plan. Each fund offers a dividend reinvestment plan (each, a Plan). With respect to each of the Merging Funds, the Trustees have determined to suspend the Plans indefinitely, beginning with the October 2007 dividend, in connection with the proposed mergers. The following describes each fund's Plan.

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For shareholders participating in the Plan, all income dividends and capital gains distributions are automatically reinvested in additional shares of the fund. Reinvestment transactions are executed by Investors Bank and Trust Company, 200 Clarendon St., Boston, MA (617-937-6300) (the Plan Agent). If a shareholder is not participating in the Plan, every month the shareholder will receive all dividends and/or capital gains distributions in cash, paid by check and mailed directly to the shareholder. If a shareholder would like to participate in the Plan, the shareholder may instruct Putnam Investor Services (which provides certain administrative and bookkeeping services to the Plan) to enroll the shareholder. The Plan Agent will automatically reinvest subsequent distributions and Putnam Investor Services will send the shareholder a confirmation in the mail telling the shareholder how many additional shares were credited to the shareholder's account. Shareholders of the funds are automatically enrolled in the Plan unless they elect not to participate. Shareholders may contact Putnam Investor Services either in writing at P.O. Box 8383, Boston, Massachusetts 02266-8383, or by telephone at 1-800-225-1581 during normal East Coast business hours. Shareholders of the Merging Funds who have elected not to participate in the Merging Funds' Plans will, if the applicable merger is approved, be deemed to have elected not to participate in Municipal Opportunities Trust's Plan.

The Plan Agent will buy fund shares for participating accounts in the open market. The acquisition cost of these shares may be higher or lower than the net asset value of the fund's shares at the time of the reinvestment.

Participants may withdraw from a Plan at any time by notifying Putnam Investor Services, either in writing or by telephone. If a participant withdraws from the Plan (or if a Plan is terminated), the participant will receive future income dividends and capital gains distributions in cash. There is no penalty for withdrawing from or not participating in a Plan.

Putnam Investor Services maintains all participants' accounts in a Plan on behalf of the Plan Agent and furnishes written confirmation of all transactions, including information needed by participants for tax records. Each participant's shares will be held by Putnam Investor Services in the participant's name, and each participant's proxy will include those shares purchased through the Plan.

Each participant bears a proportionate share of brokerage commissions incurred when the Plan Agent purchases additional shares on the open market, in accordance with a Plan. In each case, the cost of shares purchased for each participant's account will be the average cost, including brokerage commissions, of any shares so purchased plus the cost of any shares issued by a fund. If a participant instructs the Plan Agent to sell the participant's shares, the participant will incur brokerage commissions for the sale.

Reinvesting dividends and capital gains distributions in shares of the funds does not relieve a participant of tax obligations, which are the same as if the participant had received cash distributions. Putnam Investor Services supplies tax information to the participant and to the Service annually and complies with all Service withholding requirements. Each fund reserves the right to amend a Plan to include service charges, to make other changes or to terminate a Plan upon 30 days' written notice.

If a shareholder's shares are held in the name of a broker or nominee offering a dividend reinvestment service, the shareholder should consult the shareholder's broker or nominee to ensure that an appropriate election is made on the shareholder's behalf. If the broker or nominee holding the shareholder's shares does not provide a reinvestment service, the shareholder may need to register the shareholder's shares in the shareholder's own name in order to participate in a Plan.

In situations where a bank, broker or nominee holds shares for others, a Plan will be administered according to instructions and information provided by the bank, broker or nominee.

Dividends and distributions. Each fund has a policy to make monthly distributions to common shareholders from net investment income. Monthly distributions to common shareholders consist of the net investment income of each fund remaining after the payment of dividends on the preferred shares.

Net investment income of each fund consists of all interest and other income (excluding capital gains and losses) accrued on portfolio assets, less all expenses of each fund allocable thereto. Income and expenses of each fund are accrued each day. Amounts which economically represent the excess of realized capital gains over realized capital losses, if any, are distributed to common shareholders at least annually to the extent

not necessary to pay dividends (including Additional Dividends) on or to meet the liquidation preference of the preferred shares. However, for federal income tax purposes, the common shareholders and the preferred shareholders are treated as receiving their proportionate share of the excess of each fund's realized capital gains over realized capital losses, based upon the percentage of total dividends paid by the fund for the year that is received by each class.

While there are any preferred shares outstanding, neither fund may declare any cash dividend or other distribution on its common shares, unless at the time of such declaration (1) all accrued dividends on the preferred shares have been paid and (2) the value of each fund's total assets, less

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all liabilities and indebtedness of the fund (determined after deducting the amount of such dividend or other distribution), is at least 200% of the liquidation preference of the outstanding preferred shares (expected to equal the aggregate original purchase price of the outstanding preferred shares plus any accrued and unpaid dividends thereon). In addition to the requirements of the 1940 Act, each fund is required to comply with other asset coverage requirements as a condition of the fund obtaining a rating of the preferred shares from a nationally recognized rating service. These requirements include, among other things, an asset coverage test more stringent than under the 1940 Act. The limitation on each fund's ability to make distributions on its common shares could, in certain circumstances, impair the ability of each fund to maintain its qualification for taxation as a regulated investment company or might otherwise cause the fund to be subject to federal tax. Each fund intends, however, to the extent possible, to repurchase or redeem preferred shares from time to time to maintain compliance with such asset coverage requirements and may pay special dividends to the holders of the preferred shares in certain circumstances in an effort to maintain the fund's status as a regulated investment company and to relieve the fund of any federal tax.

As noted above under Information about the Funds Preferred Shares, the terms of the preferred shares require that if, for any taxable year, any portion of the dividends on the preferred shares is not designated by a fund as exempt-interest dividends solely because that fund, in its judgment, is required to allocate capital gains or taxable income to the preferred shares, Additional Dividends will become payable on the preferred shares in an amount such that the net after-tax return on the preferred shares would be the same as the net after-tax return that would have been derived if the dividends paid to the holders of the preferred shares, not including any such Additional Dividends, had qualified in their entirety as exempt-interest dividends. The amount of any dividend payable to common shareholders will be reduced by the amount of any such Additional Dividends.

To permit each fund to maintain a more stable monthly distribution, each fund may from time to time pay out less than the entire amount of available net investment income to common shareholders earned in any particular period. Any such amount retained by a fund would be available to stabilize future distributions. As a result, the distributions paid by a fund for any particular period may be more or less than the amount of net investment income actually earned by that fund during such period. For information concerning the tax treatment of distributions to common shareholders, see Taxation below. The funds intend, however, to make such distributions as are necessary to maintain qualification as a regulated investment company.

Common shareholders may have their dividend or distribution checks sent to parties other than themselves. A Dividend Order form is available from Putnam Investor Services, mailing address: P.O. Box 8383, Boston, Massachusetts, 02266-8383. After Putnam Investor Services receives this completed form with all registered owners' signatures guaranteed, the common shareholder's distribution checks will be sent to the bank or other person that the common shareholder has designated.

For information concerning the tax treatment of such dividends and distributions to shareholders, see the discussion under Taxation.

Taxation. The following federal tax discussion is based on the advice of Ropes & Gray LLP, counsel to the funds, and reflects provisions of the Code, existing treasury regulations, rulings published by the Service, and other applicable authority, as of the date of this Prospectus/Proxy Statement. These authorities are subject to change by legislative or administrative action.

The following discussion is only a summary of some of the important tax considerations generally applicable to investments in Municipal Opportunities Trust. For more detailed information regarding tax considerations, see the Merger SAI. There may be other tax considerations applicable to particular investors. In addition, income earned through an investment in Municipal Opportunities Trust may be subject to state and local taxes. Because Municipal Opportunities

Trust will be the surviving fund if the mergers are approved, the discussion deals only with the taxation of Municipal Opportunities Trust.

Municipal Opportunities Trust intends to qualify each year for taxation as a regulated investment company under Subchapter M of the Code. If the fund so qualifies, it will not be subject to federal income tax on income distributed timely to its shareholders in the form of dividends or capital gain distributions.

To satisfy the distribution requirement applicable to regulated investment companies, amounts paid as dividends by Municipal Opportunities Trust to its shareholders, including holders of its preferred shares, must qualify for the dividends-paid deduction. In certain circumstances, the Service could take the position that dividends paid on the preferred shares constitute preferential dividends under section 562(c) of the Code, and thus do not qualify for the dividends-paid deduction.

If at any time when preferred shares are outstanding Municipal Opportunities Trust does not meet applicable asset coverage requirements, it will be required to suspend distributions to common shareholders until the requisite asset coverage is restored. Any such suspension may cause the fund to pay a 4% federal excise tax (imposed on regulated investment companies that fail to distribute for a given calendar year, generally, at

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least 98% of their net investment income and capital gain net income), or may, in certain circumstances, prevent Municipal Opportunities Trust from qualifying as a regulated investment company. The fund may redeem preferred shares or pay special dividends to the holders of the preferred shares in an effort to comply with the distribution requirement applicable to regulated investment companies and to avoid the excise tax.

Fund distributions designated as tax-exempt dividends are not generally subject to federal income tax. In addition, an investment in the fund may result in liability for federal alternative minimum tax, both for individual and corporate shareholders.

The Supreme Court has agreed to hear an appeal of a state-court decision that might significantly affect how states tax in-state and out-of-state municipal bonds. A Kentucky state court held that a Kentucky law violates the U.S. Constitution by treating, for Kentucky state tax purposes, the interest income on in-state municipal bonds differently from the income on out-of-state municipal bonds. If the Supreme Court affirms this holding, most states likely will revisit the way in which they treat the interest on municipal bonds, and this has the potential to increase significantly the amount of state tax paid by shareholders on exempt-interest dividends derived from obligations issued by government agencies located in their state of residence. The Supreme Court has announced oral arguments on this case for the fall of 2007 and would likely issue a decision sometime thereafter. You should consult your tax advisor to discuss the tax consequences of your investment in the Fund.

The terms of the preferred shares require that if, for any taxable year, any portion of the distributions paid by Municipal Opportunities Trust on the preferred shares at the applicable rate is not designated by the fund as exempt-interest dividends solely because the fund, in its judgment, is required to allocate capital gains and taxable income to the preferred shares, then the fund will be required to pay Additional Dividends to holders of the preferred shares to compensate for the resulting reduction in the after-tax return to such holders. It is anticipated that the allocation rules described above will in many circumstances require Municipal Opportunities Trust to pay such Additional Dividends. Such a distribution would reduce the amount available for distribution to common shareholders.

The fund may at times buy tax-exempt investments at a discount from the price at which they were originally issued, especially during periods of rising interest rates. For federal income tax purposes, some or all of this market discount will be included in the fund's ordinary income and will be taxable to shareholders as such when it is distributed.

The fund's investments in certain debt obligations may cause the fund to recognize taxable income in excess of the cash generated by such obligations. Thus, the fund could be required at times to liquidate other investments in order to satisfy its distribution requirements.

For federal income tax purposes, distributions of investment income other than tax-exempt dividends are taxable as ordinary income. Generally, gains realized by a fund on the sale or exchange of investments will be taxable to its shareholders, even though the income from such investments generally will be tax-exempt. Taxes on distributions of capital gains are determined by how long the fund owned the investments that generated them, rather than how long a shareholder has owned his or her shares. Distributions are taxable to shareholders even if they are paid from income or gains earned by the fund before a shareholder's investment (and thus were included in the price the

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shareholder paid). Distributions of gains from investments that the fund owned for more than one year will be taxable as capital gains. Distributions of gains from investments that the fund owned for one year or less will be taxable as ordinary income. Distributions are taxable whether shareholders receive them in cash or reinvest them in additional shares through the Dividend Reinvestment Plan.

Any gain resulting from the sale or exchange of fund shares will generally also be subject to tax. You should consult your tax advisor for more information on your own tax situation, including possible state and local taxes.

Trading Information. The following chart shows quarterly per common share trading information of each fund for the past two fiscal years and the current fiscal year of the funds, as listed on the NYSE.

Municipal Opportunities Trust

(Unaudited)

Quarter Ended	Market High Price (\$)	Market Low Price (\$)	Closing Market Price (\$)	Closing NAV (\$)	Discount or (Premium) to NAV (%)
7/31/07	12.27	11.47	11.61	12.90	11.11

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4/30/07	12.38	12.04	12.20	13.19	7.51
1/31/07	12.10	11.64	12.03	13.16	8.59
10/31/06	11.78	11.29	11.78	13.28	11.30
7/31/06	11.67	11.03	11.30	12.90	12.40
4/30/06	11.92	11.60	11.68	12.85	9.11
1/31/06	11.80	11.14	11.75	13.02	9.75
10/31/05	11.99	11.40	11.47	12.92	11.22
7/31/05	12.19	11.68	11.94	13.20	9.55

Investment Grade Municipal Trust
(Unaudited)

Quarter Ended	Market High Price (\$)	Market Low Price (\$)	Closing Market Price (\$)	Closing NAV (\$)	Discount or (Premium) to NAV (%)
5/31/07	10.36	9.99	10.06	10.83	7.11
2/28/07	10.47	9.92	10.25	11.10	7.66
11/30/06	9.97	9.51	9.96	11.15	10.67
8/31/06	9.63	9.25	9.62	10.94	12.07
5/31/06	9.85	9.29	9.36	10.74	12.85
2/28/06	9.83	9.27	9.83	10.94	10.15
11/30/05	9.80	9.13	9.34	10.81	13.60
8/31/05	9.87	9.58	9.68	11.10	12.79
5/31/05	9.75	9.16	9.75	11.03	11.60
2/28/05	9.85	9.33	9.66	10.93	11.62

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Municipal Bond Fund

(Unaudited)

Quarter Ended	Market High Price (\$)	Market Low Price (\$)	Closing Market Price (\$)	Closing NAV (\$)	Discount or (Premium) to NAV (%)
7/31/07	12.66	12.00	12.05	13.34	10.71
4/30/07	12.84	12.56	12.61	13.64	10.56
1/31/07	12.52	12.24	12.50	13.61	11.61
10/31/06	12.72	12.25	12.31	13.76	14.39
7/31/06	12.18	11.67	12.18	13.44	15.92
4/30/06	12.90	12.04	12.10	13.42	12.97
1/31/06	12.53	11.81	12.51	13.62	13.73
10/31/05	12.89	11.98	12.07	13.58	15.54
7/31/05	13.02	12.14	12.89	13.88	13.98

On June 29, 2007, the market price, net asset value per common share and discount to net asset value were \$11.87, \$12.85, and 7.63%, respectively for Municipal Opportunities Trust; \$10.01, \$10.68, and 6.27%, respectively, for Investment Grade Municipal Trust; and \$12.35, \$13.28, and 7.00%, respectively, for Municipal Bond Fund.

IV. Further Information about Voting and the Meeting

General. This Prospectus/Proxy Statement is furnished in connection with the proposed mergers of Investment Grade Municipal Trust and Municipal Bond Fund into Municipal Opportunities Trust, the proposed authorization of the issuance of the Preferred Merger Shares and the solicitation of proxies by and on behalf of the Trustees for use at the Joint Special Meeting of Shareholders (the Meeting). The Meeting is to be held on October 15, 2007, at 11:00 a.m. Eastern time at One Post Office Square, 12th Floor, Boston, Massachusetts, or at such later time as is made necessary by adjournment. The Notice of the Special Meeting, the combined Prospectus/Proxy Statement and the enclosed form of proxy are being mailed to shareholders on or about September 13, 2007.

Only shareholders of record on July 30, 2007 (the Record Date) are entitled to notice of and to vote at the Meeting. Each share is entitled to one vote, with fractional shares voting proportionately.

As of August 6, 2007, there were 13,653,925 outstanding common, 800 outstanding Series A preferred shares, 1,620 outstanding Series B preferred shares, and 1,620 outstanding Series C preferred shares of beneficial interest of Municipal Opportunities Trust; 18,210,340

outstanding common, 1,400 outstanding Series A preferred shares, and 0 outstanding Series I preferred shares of beneficial interest of Investment Grade Municipal Trust; and 15,104,137 outstanding common, 2,920 outstanding Series A preferred shares, and 2,400 outstanding

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Series B preferred shares of beneficial interest of Municipal Bond Fund.

The Trustees know of no matters other than those set forth herein to be brought before the Meeting. If, however, any other matters properly come before the Meeting, it is the Trustees' intention that proxies will be voted on such matters in accordance with the judgment of the persons named in the enclosed form of proxy.

Required vote. Proxies are being solicited from each fund's shareholders by its Trustees for the Meeting. Unless revoked, all valid proxies will be voted in accordance with the specification thereon or, in the absence of specifications, FOR approval of each Conversion Plan, FOR approval of the Plan of Merger, FOR approval of the Preferred Merger Shares of Municipal Opportunities Trust and FOR approval of the reduction in liquidation preference of Series A Shares of Municipal Opportunities Trust. The transactions will be consummated only if the following approvals are received:

(a) Each Conversion Plan requires the affirmative vote of holders of a majority of the outstanding common and preferred shares of the relevant Merging Fund entitled to vote (each class voting separately);

(b) Each Plan of Merger requires the affirmative vote of (i) holders of a majority of the outstanding common and preferred shares of beneficial interest of Municipal Opportunities Trust entitled to vote (voting together) and (ii) holders of a majority of the outstanding common and preferred shares of the applicable Merging Fund entitled to vote (each class voting separately);

(c) Issuance of the Preferred Merger Shares requires the affirmative vote of a majority of the outstanding preferred shares of Municipal Opportunities Trust entitled to vote; and

(d) The two-for-one stock-split of Series A preferred shares of Municipal Opportunities Trust and the corresponding reduction in liquidation preference requires the affirmative vote of a majority of the outstanding preferred shares of Municipal Opportunities Trust entitled to vote (each series voting separately).

Shareholders of Municipal Opportunities Trust who vote against the proposed mergers will not have any appraisal or other dissenters' rights. Common shareholders of a Merging Fund who object to the merger of their fund will have, as an exclusive remedy under the LLC Act, the right to resign as a member of the Merging Fund, in its limited liability company form, following the Conversion. Under the operating agreement of Merging Fund in its limited liability company form (which will become effective upon the Conversion in substantially the form appended to the Plan of Conversion attached hereto as Appendix A), a resigning member is entitled solely to the market value of his or her shares, which may be less than or greater than the net asset value of such shares. In order to assert the right to resign from a Merging Fund, you must: (i) before the vote to approve the applicable Plan of Merger, deliver to the Merging Fund at One Post Office Square, Boston, MA 02109, written notice of your request to resign; (ii) NOT vote your shares in favor of the proposal to approve the applicable Plan of Merger; and (iii) comply with such other procedures set forth in your fund's operating agreement upon its effectiveness or as otherwise required by the Board of your fund.

Quorum and method of tabulation. Shareholders of record of each fund at the close of business on the Record Date will be entitled to vote at the Meeting or any adjournment thereof. The holders of a majority of the shares of each fund outstanding at the close of business on the Record Date present in person or represented by proxy will constitute a quorum for the Meeting.

Votes cast by proxy or in person at the meeting will be counted by persons appointed by the relevant fund as tellers for the Meeting. The tellers will count the total number of votes cast for approval of the proposal for purposes of determining whether sufficient affirmative votes have been cast. The tellers will count shares represented by proxies that reflect abstentions and broker non-votes (i.e., shares held by brokers or nominees as to which (i) instructions have not been received from the beneficial owners or the persons entitled to vote and (ii) the broker or nominee does not have the discretionary voting power on a particular matter) as shares that are present and entitled to vote on the matter for purposes of determining the presence of a quorum. Abstentions and broker non-votes have the effect of a negative vote on the proposal.

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Share ownership. As of July 31, 2007, the officers and Trustees of each fund as a group beneficially owned less than 1% of the outstanding shares of such fund, and no person owned of record or, to the knowledge of a fund, beneficially 5% or more of the outstanding shares of each fund, except as follows:

Municipal Opportunities Trust

Shareholder Name and Address	Holdings	Percentage Owned
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Cede & Co.* 20 Bowling Green New York, NY 10004-1408	13,083,740 Common Shares	95.80%
First Trust Portfolios L.P. 1001 Warrenville Road Lisle, IL 60532	965,099 Common Shares	6.1%

* Believed to hold shares only as a nominee.

Investment Grade Municipal Trust

Shareholder Name and Address	Holdings	Percentage Owned
Cede & Co.* 20 Bowling Green New York, NY 10004-1408	16,726,108 Common Shares	91.80%
Karpus Management, Inc., d/b/a Karpus Investment Management 183 Sully s Trail Pittsford, New York 14534	1,883,927 Common Shares	9.31%

* Believed to hold shares only as a nominee.

Municipal Bond Fund

Shareholder Name and Address	Holdings	Percentage Owned
Cede & Co.* 20 Bowling Green New York, NY 10004-1408	14,269,991 Common Shares	94.40%

* Believed to hold shares only as a nominee.

The following tables sets forth those persons who are expected to own of record or beneficially 5% or more of the outstanding shares of Municipal Opportunities Trust, based on the share ownership record discussed above, after the consummation of the proposed mergers:

**Municipal Opportunities Trust (*pro forma*
combined with Investment Grade Municipal
Trust only)**

Shareholder Name	Percentage
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and Address	Owned
Cede & Co.* 20 Bowling Green New York, NY 10004-1408	93.72%

Karpus Management, Inc., d/b/a Karpus Investment Management 183 Sully s Trail Pittsford, New York 14534	5.44%
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* Believed to hold shares only as a nominee.

**Municipal Opportunities Trust (*pro forma*
combined with Municipal Bond Fund only)**

Shareholder Name and Address	Percentage Owned
Cede & Co.* 20 Bowling Green New York, NY 10004-1408	95.11%

* Believed to hold shares only as a nominee.

**Municipal Opportunities Trust (*pro forma*
combined with both Merging Funds)**

Shareholder Name and Address	Percentage Owned
Cede & Co.* 20 Bowling Green New York, NY 10004-1408	93.99%

* Believed to hold shares only as a nominee.

Solicitation of proxies. In addition to soliciting proxies by mail, the Trustees of the funds and employees of Putnam Management, PFTC and Putnam Retail Management may solicit proxies in person or by telephone. Each fund may also arrange to have a proxy solicitation firm call you to record your voting instructions by telephone. The procedures for voting proxies by telephone are designed to authenticate shareholders identities, to allow shareholders to authorize the voting of their shares in accordance with their instructions and to confirm that their instructions have been properly recorded. Each fund has been advised by counsel that these procedures are consistent with the requirements of applicable law. If these procedures were subject to a successful legal challenge, such votes would not be counted at the Meeting. The funds are unaware of any such challenge at this time. Shareholders would be called at the phone number Putnam Management has in its records for their accounts, and

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would be asked for their Social Security number or other identifying information. The shareholders would then be given an opportunity to authorize the proxies to vote their shares in accordance with their instructions. To ensure that the shareholders' instructions have been recorded correctly, they will also receive a confirmation of their instructions in the mail. A special toll-free number will be available in the event the information in the confirmation is incorrect.

Common shareholders have the opportunity to submit their voting instructions via the Internet by utilizing a program provided by a third-party vendor hired by Putnam Management, or via automated telephone service. To use the Internet, please access the Internet address listed on your proxy card and follow the instructions on the Internet site. To record your voting instructions via automated telephone service, use the toll-free number listed on your proxy card. The Internet and automated telephone voting procedures are designed to authenticate shareholder identities, to allow shareholders to give their voting instructions, and to confirm that shareholders' instructions have been recorded properly. Shareholders voting via the Internet should understand that there may be costs associated with electronic access, such as usage charges from Internet access providers and telephone companies that must be borne by shareholders.

The giving of a proxy will not affect your right to vote in person should you decide to attend the Meeting.

The Trustees of the funds have adopted a general policy of maintaining confidentiality in the voting of proxies. Consistent with this policy, your fund may solicit proxies from shareholders who have not voted their shares or who have abstained from voting, including brokers and nominees.

Persons holding shares as nominees will, upon request, be reimbursed for their reasonable expenses in soliciting instructions from their principals. Each fund has retained at its own expense The Altman Group, 60 East 42nd Street, New York, New York 10165, to aid in the solicitation of instructions for registered and nominee accounts for a project management fee of \$2,000 per fund plus reasonable out-of-pocket expenses. The expenses of the preparation of proxy statements and related materials, including printing and delivery costs, are borne by the funds.

Revocation of proxies. Proxies, including proxies given by telephone or over the Internet, may be revoked at any time before they are voted either: (i) by a written revocation received by the Clerk of the funds; (ii) by properly executing a later-dated proxy; (iii) by recording later-dated voting instructions by telephone or via the Internet; (iv) in the case of brokers and nominees, by submitting written instructions to your fund's solicitation agent or the applicable record shareholder; or (v) by attending the Meeting and voting in person.

Date for receipt of shareholders' proposals for the next annual meeting It is currently anticipated that Municipal Opportunities Trust's next annual meeting of shareholders will be held in October 2007. Shareholder proposals to be included in such fund's proxy statement for that meeting were to be received by May 18, 2007. Shareholders who wish to make a proposal at the upcoming annual meeting of Municipal Opportunities Trust other than one that will be included in the fund's proxy materials were required to have notified the fund no later than August 1, 2007. The Board Policy and Nominating Committee will consider nominees

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recommended by shareholders of Municipal Opportunities Trust to serve as Trustees, provided that shareholders submitted their recommendations by the above date. If a shareholder who wishes to present a proposal failed to notify the funds by this date, the proxies solicited for the meeting will have discretionary authority to vote on the shareholder's proposal if it is properly brought before the meeting. If a shareholder makes a timely notification, the proxies may still exercise discretionary voting authority under circumstances consistent with the SEC's proxy rules. Shareholders who wish to propose one or more nominees for election as Trustees, or to make a proposal fixing the number of Trustees, at the annual meeting of Municipal Opportunities Trust were required to provide written notice to the fund (including all required information) so that such notice is received in good order by each fund no earlier than August 1, 2007 and no later than August 31, 2007.

If the proposed mergers are approved there will be no 2007 annual meeting for each of the Merging Funds. Shareholders of the Merging Funds will not be entitled to vote at the 2007 annual meeting of Municipal Opportunities Trust since the record date for determining shareholders entitled to vote at that meeting was before the closing of the mergers. If the proposed mergers are not approved, the Trustees will announce plans for future annual meetings of each Merging Fund.

Adjournment. If sufficient votes in favor of the proposal are not received by the time scheduled for the Meeting, or for such other reasons as they may determine appropriate, the persons named as proxies may propose adjournments of the Meeting for a reasonable time after the date set for the original meeting to permit further solicitation of proxies. Any adjournment will require the affirmative vote of a majority of the votes cast on the question in person or by proxy at the session of the Meeting to be adjourned. The persons named as proxies will vote in favor of such adjournment those proxies which they are entitled to vote in favor of the proposal. They will vote against any such adjournment those proxies required to be voted against the proposal. Each fund pays the costs of any additional solicitation and of any adjourned session for that fund.

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APPENDIX A

PLAN OF ENTITY CONVERSION OF PUTNAM MUNICIPAL BOND FUND TO PUTNAM MUNICIPAL BOND FUND LLC

Putnam Municipal Bond Fund, a Massachusetts business trust (the **Company** or **Converting Entity**), hereby adopts the following Plan of Entity Conversion, dated as of August __, 2007 (the **Plan**) pursuant to which the Company shall convert (the **Conversion**) into a Massachusetts limited liability company (the **Surviving Company**).

ARTICLE I.

Surviving Company

Section 1.01. Effective upon filing a Certificate of Conversion and Certificate of Organization in substantially the form set forth as Exhibit A and Exhibit B, respectively, the Company, a Massachusetts business trust, shall convert, pursuant to this Plan, into the Surviving Company, a Massachusetts limited liability company, in accordance with the provisions of Mass. Gen. Laws ch. 156C. The name of the Surviving Company shall be Putnam Municipal Bond Fund LLC.

ARTICLE II.

Conditions Precedent to the Conversion

Section 2.01. Shareholder Approval. This Plan shall be deemed approved by shareholders of the Company if a majority of the Company's common shares of beneficial interest (**Common Shares**) and preferred shares of beneficial interest (**Preferred Shares**) (collectively, the **Common Shares** and **Preferred Shares** being referred to herein as the **Shares**) outstanding on July 30, 2007 (the **Record Date**), each voting separately as a class, are voted in favor of the Plan at a meeting of Company shareholders called for the purpose of voting on this Plan (such approval of this Plan being referred to herein as **Shareholder Approval**).

ARTICLE III. Effective Date

Section 3.01. Effective Date. The Conversion Effective Time shall be the time and date specified in the Certificate of Conversion as submitted to the Secretary of The Commonwealth of Massachusetts pursuant to this Plan.

ARTICLE IV. Manner of Converting Interests in the Company into Units of the Surviving Company

Section 4.01. Common and Preferred Shares. The Operating Agreement of the Surviving Company shall authorize the Surviving Company to issue a class of limited liability company interests of the Surviving Company corresponding to each class of Shares authorized under the Company's by-laws in effect immediately prior to the Conversion (**LLC Units**). The class of LLC Units corresponding to Common Shares, Preferred Shares designated Auction Rate Municipal Preferred Shares, Series A (**Preferred A Shares**) and Preferred Shares designated Auction Rate Municipal Preferred Shares, Series B (**Preferred B Shares**) shall be designated **Common Units**, **Preferred A Units** and **Preferred B Units**, respectively. At the Conversion Effective Time, each Common Share, Preferred A Share and Preferred B Share outstanding shall convert on a one-to-one basis into, and shall from and after such Conversion Effective Time constitute, a **Common Unit**, **Preferred A Unit** and **Preferred B Unit**, respectively, of the Surviving Company. The LLC Units into which the Shares are converted shall constitute limited liability company interests of the Surviving Company that are fully paid, validly issued and non-assessable.

ARTICLE V. Organic Documents of the Surviving Company, Officers and Tax Status

Section 5.01. Certificate of Organization & Operating Agreement; Officers. Except as otherwise provided in Section 5.02 of this Plan, immediately after consummation of the Conversion, the Certificate of Organization substantially in the form set forth in Exhibit B hereto and the Operating Agreement substantially in the form set forth in Exhibit C hereto shall be the Certificate of Organization and the Operating Agreement of the Surviving Company. The slate of officers of the Surviving Company upon effectiveness of the Conversion shall be the same as that of the Converting Entity immediately prior to effectiveness of the Conversion.

Section 5.02. Amendment of the Plan. From time to time subsequent to Shareholder Approval and prior to the Conversion Effective Time, the Plan may be amended by the Board of Trustees of the Company, except that subsequent to Shareholder Approval, the Plan shall not be amended by the Board of Trustees of the Company to change:

- (a) the amount or kind of shares or other securities, interests, obligations, rights to acquire shares, or other securities or interests, cash, or other property to be received by holders of the Company Shares; or
- (b) any of the other terms or conditions of this Plan if the change would adversely affect any of the holders of the Company Shares in any material respect.

Section 5.03. Tax Status. The Surviving Company will take the steps necessary to meet the requirements of Subchapter M of the Internal Revenue Code of 1986, as amended, (the Code) and the Treasury Regulations promulgated thereunder, for qualification as a regulated investment company, will elect to be treated as such and will compute its federal income tax under Section 852 of the Code. The officers of the Surviving Company are hereby severally authorized to make any and all elections under the Code, or the Treasury Regulations promulgated thereunder, that may be required to satisfy the foregoing, including (but not limited to) any election in respect of entity classification under Treasury Regulation Section 301.7701 -3(c), and the authorization required by Treasury Regulation Section 301.7701 -3(c)(1) and (2).

EXHIBIT A

THE COMMONWEALTH OF MASSACHUSETTS

William Francis Galvin

Secretary of the Commonwealth

One Ashburton Place,
Boston, Massachusetts 02108-1512

**Certificate of Conversion to a
Limited Liability Company
(General Laws Chapter 156C, Section 69)**

(1) The date on which, and jurisdiction in which, the other business entity was first created, incorporated or otherwise came into being and, if it has changed, its jurisdiction immediately prior to the conversion to a domestic limited liability company:

Putnam Municipal Bond Fund was first organized on November 27, 1992 in The Commonwealth of Massachusetts as an unincorporated voluntary association with transferable shares under and by virtue of Mass. Gen. Laws ch. 182. Its jurisdiction has not changed.

(2) The name of the other business entity immediately prior to the filing of the Certificate of Conversion to a Limited Liability Company:

Putnam Municipal Bond Fund

(3) The name of the limited liability company as set forth in its certificate of organization filed in accordance with subsection (b) of Mass. Gen.

Laws ch. 156C § 69:

Putnam Municipal Bond Fund LLC

(4) The future effective date of the conversion to a limited liability company if it is not to be effective upon the filing of the Certificate of Conversion to a Limited Liability Company and Certificate of Organization:

Signed by: _____

on this ____ day of _____, 2007

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EXHIBIT B

CERTIFICATE OF ORGANIZATION

OF

PUTNAM MUNICIPAL BOND FUND LLC

1. The Federal Employer Identification Number for the limited liability company is: _____.

2. The name of the limited liability company is Putnam Municipal Bond Fund LLC (the Limited Liability Company).

3. The street address of the office of the Limited Liability Company within The Commonwealth of Massachusetts at which its records will be maintained is:

One Post Office Square Boston, Massachusetts 02109

4. The general character of the Limited Liability Company s business is carrying on the business of an investment company.

5. The Limited Liability Company is not to have a specific date of dissolution.

6. The name and business address of the agent for service of process required to be maintained by M.G.L. Chapter 156C, §5, are:

Beth S. Mazor, Vice President Putnam Municipal Bond Fund LLC

One Post Office Square Boston, Massachusetts 02109

7. The managers of the Limited Liability Company are Jameson A. Baxter, Charles B. Curtis, Robert J. Darretta, Myra R. Drucker, Charles E. Haldeman, Jr., John A. Hill, Paul L. Joskow, Elizabeth T. Kennan, Kenneth R. Leibler, Robert E. Patterson, George Putnam, III, W. Thomas Stephens and Richard B. Worley. The business address of each manager is:

Putnam Municipal Bond Fund LLC

One Post Office Square

Boston, Massachusetts 02109

8. In addition to the managers, Charles E. Porter, Jonathan S. Horwitz, Steven D. Krichmar, Janet C. Smith, Robert R. Leveille, Francis J. McNamara, III, Susan G. Malloy, Beth S. Mazor and James P. Pappas are authorized to execute documents to be filed by the Limited Liability Company with the Secretary of The Commonwealth of Massachusetts.

Executed on _____, 2007

By: _____

Name:

Authorized Signatory

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EXHIBIT C

OPERATING AGREEMENT
OF
PUTNAM MUNICIPAL BOND FUND LLC

This Operating Agreement (this Agreement) of Putnam Municipal Bond Fund LLC (the Company) is dated _____, 2007 (the Effective Date) and made effective as of the Effective Date.

WITNESSETH:

WHEREAS, the Company was organized as a Massachusetts business trust on November 27, 1992 and has operated, in accordance with an Agreement and Declaration of Trust (as amended and/or restated prior to the Effective Date, the Declaration of Trust) and Bylaws (as amended and/or restated prior to the Effective Date, the Bylaws and, together with the Declaration of Trust, the Trust Documents) of the Company, as a closed-end investment company registered under the Investment Company Act of 1940, as amended.

WHEREAS, on _____, 2007, the Company entered into an Agreement and Plan of Merger with Putnam Municipal Opportunities Trust, a Massachusetts business trust (the Acquiring Fund), pursuant to which the Company has agreed, subject to certain conditions, to merge with and into the Acquiring Fund pursuant to the Massachusetts Limited Liability Company Act (*M.G.L. Ch. 156C, §1 et seq.*), as amended and in effect from time to time (the LLC Act) (such merger transaction, the Proposed Merger).

WHEREAS, one of the conditions precedent to the Proposed Merger is that the Company be converted from a Massachusetts business trust to a Massachusetts limited liability company (the Conversion), and that the shareholders of the Company in its business trust form become members of the Company upon conversion to a limited liability company.

WHEREAS, on the Effective Date, and following the affirmative vote of the requisite number of shareholders of the Company in accordance with the Trust Documents, the Company was converted from a business trust to a limited liability company pursuant to the LLC Act, and a Certificate of Entity Conversion and a Certificate of Organization of the Company were filed with the Secretary of the Commonwealth of The Commonwealth of Massachusetts.

WHEREAS, the Unitholders (formerly the shareholders) of the Company, in approving the Conversion, authorized the Board of Managers (formerly the Board of Trustees) of the Company to enter into this Agreement on their behalf in order to provide for the management of the business and affairs of the Company as a limited liability company, the allocation of profits and losses among the Unitholders, the respective rights and obligations of the Unitholders to each other and to the Company, and certain other matters.

NOW, THEREFORE, it is hereby agreed as follows:

ARTICLE I Organization

1.1 Name. The name of the Company shall be Putnam Municipal Bond Fund LLC or such other name as the Board may choose from time to time.

1.2 Trust Documents. The organization, purpose and operation of the Company shall be as set forth in the Trust Documents, with such changes as are set forth in this Agreement or required under the LLC Act. For avoidance of doubt, it is intended that this Agreement incorporate the provisions of the Trust Documents to the greatest extent practicable and/or permissible under the LLC Act, and that the relationships and structures created by this Agreement as of the Effective Date reflect as closely as practicable those created by the Trust Documents.

1.3 Initial Authorization. The initial authorization to enter into this Agreement as of the Effective Date was provided by the shareholders of the Company in connection with the approval of the Conversion in accordance with the Trust Documents and the LLC Act. Pursuant to such authorization, the Board of Managers (defined below) has the authority to execute this Agreement on behalf of Unitholders (defined below).

ARTICLE II

Units and Unitholders

2.1 Unitholders as of the Effective Date. As of the Effective Date, the persons admitted as members of the Company (the Unitholders) shall be those persons holding limited liability company interests (Units) issued by the Company, which shall be identical in number and ownership as the shares of beneficial interest issued by the Company immediately prior to the Conversion. The titles and classes of Units as of the Effective Date shall be the same as those of the shares of the Company under the Trust Documents, except that they shall be referred to as units rather than as shares.

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2.2 Rights and Obligations of Unitholders. The rights and obligations of the Unitholders shall be identical to the rights and obligations of shareholders of the Company under the Trust Documents, except as otherwise set forth in this Agreement or required under the LLC Act. To the extent that the rights or obligations of any Unitholder are different by reason of any provision of this Agreement (including as it incorporates the provisions of the Trust Documents) than they would be in the absence of such provision, this Agreement shall, to the extent permitted by the LLC Act, control.

2.3 Allocation of Profits and Losses. The profits and losses of the Company shall be allocated among the Unitholders in the same manner as would have been allocated under the Trust Documents among shareholders of the Company if the Conversion had not occurred.

2.4 Rights of Transfer of Units. Unitholders rights regarding the transfer of Units shall be the same as the rights of shareholders of the Company under the Trust Documents. If a Unitholder transfers all of its Units in accordance with this Agreement, such person shall cease to be a member of the Company.

2.5 Withdrawal. Except as provided in this section, no Unitholder shall resign or withdraw from the Company. The death, retirement, resignation, expulsion, bankruptcy or dissolution of any Unitholder or the occurrence of any other event that terminates the continued membership of any Unitholder shall not in and of itself cause the Company to be dissolved or its affairs to be wound up, and upon the occurrence of any such event, the Company shall be continued without dissolution. Notwithstanding anything to the contrary in this Agreement, in the event the Company has voted to consolidate or merge with another entity under the provisions of the LLC Act, a Unitholder that objects to such consolidation or merger may, as its exclusive remedy, resign as a member of the Company and receive a cash liquidation preference equal to the market value (which may be greater or less than the net asset value) of such Unitholder s Units. The market value of common Units shall be determined for all purposes as equal to the closing market price of common shares of the Company on the last day of trading on the New York Stock Exchange immediately preceding the Conversion; the market value of preferred Units shall be calculated as the applicable redemption amount provided for in the Trust Documents; and, in the event of any discrepancy or uncertainty as to calculation, the market value shall be calculated in accordance with such procedures and subject to such terms as the Board of Managers may in its sole discretion determine.

ARTICLE III

Management of the Company

3.1 Board of Managers. The business of the Company shall be managed by its board of managers (the Board of Managers), and the persons constituting the Board of Managers shall be the managers of the Company for all purposes under the LLC Act. The authority and powers of the Board of Managers shall be the same as the authority and powers of the board of trustees of the Company under the Trust Documents. As of the Effective Date, the persons serving as the board of trustees of the Company immediately prior to the Conversion shall become the members of the Board of Managers upon effectiveness of the Conversion.

3.2 Decisions of the Board of Managers. Decisions of the Board of Managers shall be decisions of the manager for all purposes of the LLC Act and shall be carried out by officers or agents of the Company appointed by the Board of Managers in accordance with this Agreement (incorporating the applicable provisions of the Trust Documents). The Board of Managers may adopt such other rules for the conduct of its business as it may from time to time reasonably deem necessary or appropriate.

3.3 Officers. The authority and powers of the officers of the Company shall be the same as the authority and powers of the officers of the Company under the Trust Documents. As of the Effective Date, the persons serving as officers of the Company immediately prior to the Conversion shall remain the officers of the Company upon effectiveness of the Conversion. Officers of the Company shall be appointed and shall serve in the same manner as officers of the Company under the Trust Documents.

3.4 Duty of Care and Indemnification. The duty of care of the Board of Managers or any officer in the discharge of his, her or its duties to the Company shall be as set forth in the Trust Documents with respect to the board of trustees or officers, as applicable, and the indemnification obligations created by this agreement shall be those set forth in the Trust Documents.

ARTICLE IV
Miscellaneous

4.1 Amendments. This terms of this Agreement may be modified, supplemented or otherwise amended only with the consent required to amend the analogous terms under the Trust Documents. To the extent the terms subject to amendment have no analogue in the Trust Documents, such terms may be modified, supplemented or otherwise amended only with the

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consent of the holders of a majority of each class of the outstanding Units, except as otherwise provided in this Agreement.

4.2 Interpretation. In cases of ambiguity or uncertainty in the interpretation of this Agreement, including the interpretation of its incorporation of the Trust Documents, the Board of Managers shall have the authority to interpret and clarify the meaning of any and all provisions of this Agreement, and any such interpretation made in good faith shall be conclusive and binding as to all parties. The Board of Managers may amend this Agreement to clarify any such ambiguity or uncertainty, without approval of the Unitholders.

4.3 Severability. If any provision of this Agreement is determined by a court to be invalid or unenforceable, that determination shall not affect the other provisions hereof, each of which shall be construed and enforced as if the invalid or unenforceable portion were not contained herein. That invalidity or unenforceability shall not affect any valid and enforceable application thereof, and each said provision shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent permitted by law.

4.4 General. This Agreement: (i) shall be binding upon the executors, administrators, estates, heirs, and legal successors of the Unitholders; (ii) shall be governed by and construed in accordance with the laws of The Commonwealth of Massachusetts; and (iii) constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof. The waiver of any of the provisions, terms, or conditions contained in this Agreement shall not be considered as a waiver of any of the other provisions, terms, or conditions hereof.

4.5 Counterpart Execution. This Agreement may be executed in two or more counterparts, and by facsimile each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the undersigned, intending to be legally bound hereby, has duly executed this Agreement as of the date and year first above written.

PUTNAM MUNICIPAL BOND FUND LLC

By: _____

Name:

Title:

IN FURTHER WITNESS WHEREOF, the undersigned, constituting at least a majority of the Board of Managers, and acting on behalf of Unitholders of the Company, have duly executed this Agreement as of the date and year first above written.

Jameson A. Baxter

Charles B. Curtis

Robert J. Darretta

Myra R. Drucker

Charles E. Haldeman, Jr.

John A. Hill

Paul L. Joskow

Elizabeth T. Kennan

Kenneth R. Leibler

Robert E. Patterson

George Putnam, III

W. Thomas Stephens

Richard B. Worley

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APPENDIX A

**PLAN OF ENTITY CONVERSION OF
PUTNAM INVESTMENT GRADE MUNICIPAL
TRUST TO PUTNAM INVESTMENT GRADE
MUNICIPAL TRUST LLC**

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Putnam Investment Grade Municipal Trust, a Massachusetts business trust (the Company or Converting Entity), hereby adopts the following Plan of Entity Conversion, dated as of August __, 2007 (the Plan) pursuant to which the Company shall convert (the Conversion) into a Massachusetts limited liability company (the Surviving Company).

ARTICLE I.

Surviving Company

Section 1.01. Effective upon filing a Certificate of Conversion and Certificate of Organization in substantially the form set forth as Exhibit A and Exhibit B, respectively, the Company, a Massachusetts business trust, shall convert, pursuant to this Plan, into the Surviving Company, a Massachusetts limited liability company, in accordance with the provisions of Mass. Gen. Laws ch. 156C. The name of the Surviving Company shall be Putnam Investment Grade Municipal Trust LLC.

ARTICLE II.

Conditions Precedent to the Conversion

Section 2.01. Shareholder Approval. This Plan shall be deemed approved by shareholders of the Company if a majority of the Company s common shares of beneficial interest (Common Shares) and preferred shares of beneficial interest (Preferred Shares) (collectively, Common Shares and Preferred Shares being referred to herein as the Shares) outstanding on July 30, 2007 (the Record Date), each voting as a separate class, are voted in favor of the Plan at a meeting of Company shareholders called for the purpose of voting on this Plan (such approval of this Plan being referred to herein as Shareholder Approval).

ARTICLE III.

Effective Date

Section 3.01. Effective Date. The Conversion Effective Time shall be the time and date specified in the Certificate of Conversion as submitted to the Secretary of The Commonwealth of Massachusetts pursuant to this Plan.

ARTICLE IV.

Manner of Converting Interests in the Company into Units of the Surviving Company Section

4.01. Common and Preferred Shares. The Operating Agreement of the Surviving Company shall authorize the Surviving Company to issue a class of limited liability company interests of the Surviving Company corresponding to each class of Shares authorized under the Company s by-laws in effect immediately prior to the Conversion (the LLC Units). The class of LLC Units corresponding to Common Shares, Preferred Shares designated Remarketed Preferred Shares, Series A (Preferred A Shares) and Preferred Shares designated Remarketed Preferred Shares, Series I (Preferred I Shares) shall be designated Common Units, Preferred A Units and Preferred I Units, respectively. At the Conversion Effective Time, each Common Share, Preferred A Share and Preferred I Share outstanding shall convert on a one-to-one basis into, and shall from and after such Conversion Effective Time constitute, a Common Unit, Preferred A Unit and Preferred I Unit of the Surviving Company. The LLC Units into which the Shares are converted shall constitute limited liability company interests of the Surviving Company that are fully paid, validly issued and non-assessable.

ARTICLE V.

Organic Documents of the Surviving Company, Officers and Tax Status Section

5.01. Certificate of Organization & Operating Agreement; Officers. Except as otherwise provided in Section 5.02 of this Plan, immediately after consummation of the Conversion, the Certificate of Organization substantially in the form set forth in Exhibit B hereto and the Operating Agreement substantially in the form set forth in Exhibit C hereto, with such changes as are authorized by this Plan, shall be the Certificate of Organization and Operating Agreement of the Surviving Company. The slate of officers of the Surviving Company upon effectiveness of the Conversion shall be the same as that of the Converting Entity immediately prior to the effectiveness of the Conversion.

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Section 5.02. Amendment of the Plan. From time to time subsequent to Shareholder Approval and prior to the Conversion Effective Time, the Plan may be amended by the Board of Trustees of the Company, except that subsequent to Shareholder Approval, the Plan shall not be amended by the Board of Trustees of the Company to change:

(a) the amount or kind of shares or other securities, interests, obligations, rights to acquire shares, or other securities or interests, cash, or other property to be received by holders of the Company Shares; or

(b) any of the other terms or conditions of this Plan if the change would adversely affect any of the holders of the Company Shares in any material respect.

Section 5.03. Tax Status. The Surviving Company will take the steps necessary to meet the requirements of Subchapter M of the Internal Revenue Code of 1986, as amended, (the Code) and the Treasury Regulations promulgated thereunder, for qualification as a regulated investment company, will elect to be treated as such and will compute its federal income tax under Section 852 of the Code. The officers of the Surviving Company are hereby severally authorized to make any and all elections under the Code, or the Treasury Regulations promulgated thereunder, that may be required to satisfy the foregoing, including (but not limited to) any election in respect of entity classification under Treasury Regulation Section 301.7701 -3(c), and the authorization required by Treasury Regulation Section 301.7701 -3(c)(1) and (2).

EXHIBIT A

THE COMMONWEALTH OF MASSACHUSETTS

William Francis Galvin

Secretary of the Commonwealth

One Ashburton Place,
Boston, Massachusetts 02108-1512

**Certificate of Conversion to a
Limited Liability Company
(General Laws Chapter 156C, Section 69)**

(1) The date on which, and jurisdiction in which, the other business entity was first created, incorporated or otherwise came into being and, if it has changed, its jurisdiction immediately prior to the conversion to a domestic limited liability company:

Putnam Investment Grade Municipal Trust was first organized on October 26, 1989 in The Commonwealth of Massachusetts as an unincorporated voluntary association with transferable shares under and by virtue of Mass. Gen. Laws ch. 182. Its jurisdiction has not changed.

(2) The name of the other business entity immediately prior to the filing of the Certificate of Conversion to a Limited Liability Company:

Putnam Investment Grade Municipal Trust

(3) The name of the limited liability company as set forth in its certificate of organization filed in accordance with subsection (b) of Mass. Gen. Laws ch. 156C § 69:

Putnam Investment Grade Municipal Trust LLC

(4) The future effective date of the conversion to a limited liability company if it is not to be effective upon the filing of the Certificate of Conversion to a Limited Liability Company and Certificate of Organization:

Signed by: _____

on this ____ day of _____, 2007

EXHIBIT B

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CERTIFICATE OF ORGANIZATION
OF
**PUTNAM INVESTMENT GRADE
MUNICIPAL LLC**

1. The Federal Employer Identification Number for the limited liability company is: _____.
2. The name of the limited liability company is Putnam Investment Grade Municipal Trust LLC (the Limited Liability Company).
3. The street address of the office of the Limited Liability Company within The Commonwealth of Massachusetts at which its records will be maintained is:

One Post Office Square Boston, Massachusetts 02109
4. The general character of the Limited Liability Company s business is carrying on the business of an investment company.
5. The Limited Liability Company is not to have a specific date of dissolution.
6. The name and business address of the agent for service of process required to be maintained by M.G.L. Chapter 156C, §5, are:

Beth S. Mazor, Vice President Putnam Investment Grade Municipal Trust LLC One Post Office Square Boston, Massachusetts 02109
7. The managers of the Limited Liability Company are Jameson A. Baxter, Charles B. Curtis, Robert J. Darretta, Myra R. Drucker, Charles E. Haldeman, Jr., John A. Hill, Paul L. Joskow, Elizabeth T. Kennan, Kenneth R. Leibler, Robert E. Patterson, George Putnam, III, W. Thomas Stephens and Richard B. Worley. The business address of each manager is:

Putnam Investment Grade Municipal Trust LLC
One Post Office Square
Boston, Massachusetts 02109

8. In addition to the managers, Charles E. Porter, Jonathan S. Horwitz, Steven D. Krichmar, Janet C. Smith, Robert R. Leveille, Francis J. McNamara, III, Susan G. Malloy, Beth S. Mazor and James P. Pappas are authorized to execute documents to be filed by the Limited Liability Company with the Secretary of The Commonwealth of Massachusetts.

Executed on _____, 2007

By:

Name:

Authorized Signatory

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EXHIBIT C

OPERATING AGREEMENT
OF
PUTNAM INVESTMENT GRADE TRUST LLC

This Operating Agreement (this Agreement) of Putnam Investment Grade Municipal Trust LLC (the Company) is dated _____, 2007 (the Effective Date) and made effective as of the Effective Date.

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WITNESSETH:

WHEREAS, the Company was organized as a Massachusetts business trust on October 26, 1989 and has operated, in accordance with an Agreement and Declaration of Trust (as amended and/or restated prior to the Effective Date, the Declaration of Trust) and Bylaws (as amended and/or restated prior to the Effective Date, the Bylaws) and, together with the Declaration of Trust, the Trust Documents) of the Company, as a closed-end investment company registered under the Investment Company Act of 1940, as amended.

WHEREAS, on _____, 2007, the Company entered into an Agreement and Plan of Merger with Putnam Municipal Opportunities Trust, a Massachusetts business trust (the Acquiring Fund), pursuant to which the Company has agreed, subject to certain conditions, to merge with and into the Acquiring Fund pursuant to the Massachusetts Limited Liability Company Act (*M.G.L. Ch. 156C, §1 et seq.*), as amended and in effect from time to time (the LLC Act) (such merger transaction, the Proposed Merger).

WHEREAS, one of the conditions precedent to the Proposed Merger is that the Company be converted from a Massachusetts business trust to a Massachusetts limited liability company (the Conversion), and that the shareholders of the Company in its business trust form become members of the Company upon conversion to a limited liability company.

WHEREAS, on the Effective Date, and following the affirmative vote of the requisite number of shareholders of the Company in accordance with the Trust Documents, the Company was converted from a business trust to a limited liability company pursuant to the LLC Act, and a Certificate of Entity Conversion and a Certificate of Organization of the Company were filed with the Secretary of the Commonwealth of the Commonwealth of Massachusetts.

WHEREAS, the Unitholders (formerly the shareholders) of the Company, in approving the Conversion, authorized the Board of Managers (formerly the Board of Trustees) of the Company to enter into this Agreement on their behalf in order to provide for the management of the business and affairs of the Company as a limited liability company, the allocation of profits and losses among the Unitholders, the respective rights and obligations of the Unitholders to each other and to the Company, and certain other matters.

NOW, THEREFORE, it is hereby agreed as follows:

ARTICLE I

Organization

1.1 Name. The name of the Company shall be Putnam Investment Grade Municipal Trust LLC or such other name as the Board may choose from time to time.

1.2 Trust Documents. The organization, purpose and operation of the Company shall be as set forth in the Trust Documents, with such changes as are set forth in this Agreement or required under the LLC Act. For avoidance of doubt, it is intended that this Agreement incorporate the provisions of the Trust Documents to the greatest extent practicable and/or permissible under the LLC Act, and that the relationships and structures created by this Agreement as of the Effective Date reflect as closely as practicable those created by the Trust Documents.

1.3 Initial Authorization. The initial authorization to enter into this Agreement as of the Effective Date was provided by the shareholders of the Company in connection with the approval of the Conversion in accordance with the Trust Documents and the LLC Act. Pursuant to such authorization, the Board of Managers (defined below) has the authority to execute this Agreement on behalf of Unitholders (defined below).

ARTICLE II

Units and Unitholders

2.1 Unitholders as of the Effective Date. As of the Effective Date, the persons admitted as members of the Company (the Unitholders) shall be those persons holding limited liability company interests (Units) issued by the Company, which shall be identical in number and ownership as the shares of beneficial interest issued by the Company immediately prior to the Conversion. The titles and classes of Units as of the Effective Date shall be the same as those of the shares of the Company under the Trust Documents, except that they shall be referred to as units rather than as shares.

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2.2 Rights and Obligations of Unitholders. The rights and obligations of the Unitholders shall be identical to the rights and obligations of shareholders of the Company under the Trust Documents, except as otherwise set forth in this Agreement or required under the LLC Act. To the extent that the rights or obligations of any Unitholder are different by reason of any provision of this Agreement (including as it incorporates the

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provisions of the Trust Documents) than they would be in the absence of such provision, this Agreement shall, to the extent permitted by the LLC Act, control.

2.3 Allocation of Profits and Losses. The profits and losses of the Company shall be allocated among the Unitholders in the same manner as would have been allocated under the Trust Documents among shareholders of the Company if the Conversion had not occurred.

2.4 Rights of Transfer of Units. Unitholders' rights regarding the transfer of Units shall be the same as the rights of shareholders of the Company under the Trust Documents. If a Unitholder transfers all of its Units in accordance with this Agreement, such person shall cease to be a member of the Company.

2.5 Withdrawal. Except as provided in this section, no Unitholder shall resign or withdraw from the Company. The death, retirement, resignation, expulsion, bankruptcy or dissolution of any Unitholder or the occurrence of any other event that terminates the continued membership of any Unitholder shall not in and of itself cause the Company to be dissolved or its affairs to be wound up, and upon the occurrence of any such event, the Company shall be continued without dissolution. Notwithstanding anything to the contrary in this Agreement, in the event the Company has voted to consolidate or merge with another entity under the provisions of the LLC Act, a Unitholder that objects to such consolidation or merger may, as its exclusive remedy, resign as a member of the Company and receive a cash liquidation payment equal to the market value (which may be greater or less than the net asset value) of such Unitholder's Units. The market value of common Units shall be determined for all purposes as equal to the closing market price of the common shares of the Company on the last day of trading on the New York Stock Exchange immediately preceding the Conversion; the market value of preferred Units shall be calculated as the applicable redemption amount provided for in the Trust Documents; and, in the event of any discrepancy or uncertainty as to calculation, the market value shall be calculated in accordance with such procedures and subject to such terms as the Board of Managers may in its sole discretion determine.

ARTICLE III

Management of the Company

3.1 Board of Managers. The business of the Company shall be managed by its board of managers (the Board of Managers), and the persons constituting the Board of Managers shall be the managers of the Company for all purposes under the LLC Act. The authority and powers of the Board of Managers shall be the same as the authority and powers of the board of trustees of the Company under the Trust Documents. As of the Effective Date, the persons serving as the board of trustees of the Company immediately prior to the Conversion shall become the members of the Board of Managers upon effectiveness of the Conversion.

3.2 Decisions of the Board of Managers. Decisions of the Board of Managers shall be decisions of the manager for all purposes of the LLC Act and shall be carried out by officers or agents of the Company appointed by the Board of Managers in accordance with this Agreement (incorporating the applicable provisions of the Trust Documents). The Board of Managers may adopt such other rules for the conduct of its business as it may from time to time reasonably deem necessary or appropriate.

3.3 Officers. The authority and powers of the officers of the Company shall be the same as the authority and powers of the officers of the Company under the Trust Documents. As of the Effective Date, the persons serving as officers of the Company immediately prior to the Conversion shall remain the officers of the Company upon effectiveness of the Conversion. Officers of the Company shall be appointed and shall serve in the same manner as officers of the Company under the Trust Documents.

3.4 Duty of Care and Indemnification. The duty of care of the Board of Managers or any officer in the discharge of his, her or its duties to the Company shall be as set forth in the Trust Documents with respect to the board of trustees or officers, as applicable, and the indemnification obligations created by this agreement shall be those set forth in the Trust Documents.

ARTICLE IV Miscellaneous

4.1 Amendments. This terms of this Agreement may be modified, supplemented or otherwise amended only with the consent required to amend the analogous terms under the Trust Documents. To the extent the terms subject to amendment have no analogue in the Trust Documents, such terms may be modified, supplemented or otherwise amended only with the

consent of the holders of a majority of each class of the outstanding Units, except as otherwise provided in this Agreement.

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4.2 Interpretation. In cases of ambiguity or uncertainty in the interpretation of this Agreement, including the interpretation of its incorporation of the Trust Documents, the Board of Managers shall have the authority to interpret and clarify the meaning of any and all provisions of this Agreement, and any such interpretation made in good faith shall be conclusive and binding as to all parties. The Board of Managers may amend this Agreement to clarify any such ambiguity or uncertainty without approval of the Unitholders.

4.3 Severability. If any provision of this Agreement is determined by a court to be invalid or unenforceable, that determination shall not affect the other provisions hereof, each of which shall be construed and enforced as if the invalid or unenforceable portion were not contained herein. That invalidity or unenforceability shall not affect any valid and enforceable application thereof, and each said provision shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent permitted by law.

4.4 General. This Agreement: (i) shall be binding upon the executors, administrators, estates, heirs, and legal successors of the Unitholders; (ii) shall be governed by and construed in accordance with the laws of The Commonwealth of Massachusetts; and (iii) constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof. The waiver of any of the provisions, terms, or conditions contained in this Agreement shall not be considered as a waiver of any of the other provisions, terms, or conditions hereof.

4.5 Counterpart Execution. This Agreement may be executed in two or more counterparts, and by facsimile each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the undersigned, intending to be legally bound hereby, has duly executed this Agreement as of the date and year first above written.

PUTNAM INVESTMENT GRADE MUNICIPAL TRUST LLC

By:

Name:

Title:

IN FURTHER WITNESS WHEREOF, the undersigned, constituting at least a majority of the Board of Managers, and acting on behalf of Unitholders of the Company, have duly executed this Agreement as of the date and year first above written.

Jameson A. Baxter

Charles B. Curtis

Robert J. Darretta

Myra R. Drucker

Charles E. Haldeman, Jr.

John A. Hill

Paul L. Joskow

Elizabeth T. Kennan

Kenneth R. Leibler

Robert E. Patterson

George Putnam, III

W. Thomas Stephens

Richard B. Worley

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APPENDIX B

AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER (Agreement) dated as of August ____, 2007, by and between Putnam Municipal Opportunities Trust, a Massachusetts business trust (Surviving Fund), and Putnam Investment Grade Municipal Trust, a Massachusetts business trust that will have completed an entity conversion (the Conversion) into a Massachusetts limited liability company prior to the Effective Time (as herein defined) (Merging Fund).

WITNESSETH:

WHEREAS, Surviving Fund has an authorized capitalization consisting of an unlimited number of common shares of beneficial interest, without par value (Surviving Fund Common Shares); 800 preferred shares of beneficial interest, designated Remarketed Preferred Shares, Series A, without par value (Surviving Fund Preferred A Shares); 1,620 preferred shares of beneficial interest, designated Remarketed Preferred Shares, Series B, without par value (Surviving Fund Preferred B Shares); and 1,620 preferred shares of beneficial interest, designated Remarketed Preferred Shares, Series C, without par value (Surviving Fund Preferred C Shares, and together with the Surviving Fund Series A Shares and Surviving Fund Series B Shares, the Surviving Fund Preferred Shares);

WHEREAS, the Board of Trustees of Merging Fund has adopted, subject to shareholder approval, the Plan of Conversion in substantially the

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form attached hereto as Annex I, pursuant to which Merging Fund will convert to a Massachusetts limited liability company with the name Putnam Investment Grade Municipal Trust LLC (the Plan of Conversion);

WHEREAS, Merging Fund has an authorized capitalization consisting of an unlimited number of common shares of beneficial interest, without par value, which will be converted on a one-to-one basis into a class of limited liability company interests of Merging Fund in connection with the Conversion (referred to herein as Merging Fund Common Units); 2,000 preferred shares of beneficial interest, designated Remarketed Preferred Shares, Series A, without par value, which will be converted on a one-to-one basis into a class of limited liability company interests of Merging Fund in connection with the Conversion (referred to herein as Merging Fund Preferred A Units); and 2,000 preferred shares of beneficial interest, designated Remarketed Preferred Shares, Series I, without par value, which will be converted on a one-to-one basis into a class of limited liability company interests of Merging Fund in connection with the Conversion (referred to herein as Merging Fund Preferred I Units, and together with the Merging Fund Preferred A Units, the Merging Fund Preferred Units);

WHEREAS, the Board of Trustees of the Merging Fund, to become the Board of Managers of the Merging Fund in connection with the Conversion, and the Board of Trustees of the Surviving Fund deem it advisable and in the best interests of Merging Fund and Surviving Fund, respectively, and their respective shareholders for Merging Fund to merge with and into Surviving Fund (the Merger) in accordance with Mass. Gen. Laws ch. 156C and pursuant to this Agreement and the Certificate of Merger substantially in the form attached hereto as Annex II and incorporated herein (the Certificate of Merger);

NOW, THEREFORE, in consideration of the premises and the representations, warranties and agreements herein contained, the parties hereto agree that Merging Fund shall be merged with and into Surviving Fund, which shall be the entity surviving the Merger, and that the terms and conditions of the Merger, the mode of carrying it into effect, and the manner of converting interests of Merging Fund shall be as follows:

ARTICLE I. The Merger

Section 1.01. Subject to and in accordance with the provisions of this Agreement, the Certificate of Merger shall be executed and acknowledged by each of Surviving Fund and Merging Fund and thereafter delivered to the Secretary of The Commonwealth of Massachusetts by the Surviving Fund for filing, as provided in Mass. Gen. Laws ch. 156C. The Merger shall become effective at such time as the Certificate of Merger are filed by the Secretary of The Commonwealth of Massachusetts or such date, not more than ninety days after submission to the Secretary of The Commonwealth of Massachusetts, as may be specified in the Certificate of Merger (the Effective Time). The Effective Time will be as of the next full business day following the Valuation Time (as defined below), unless otherwise mutually agreed by the parties hereto. At the Effective Time, the separate existence of Merging Fund shall cease and Merging Fund shall be merged with and into Surviving Fund (Merging Fund and Surviving Fund being sometimes referred to

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individually herein as a Fund and collectively herein as the Funds).

Section 1.02. At the Effective Time, by virtue of the Merger and without any action on the part of Surviving Fund, Merging Fund, or the holders of Merging Fund Common Units or Surviving Fund Common Shares, each Merging Fund Common Unit issued and outstanding immediately prior to the Merger shall be converted into a number of shares of Surviving Fund Common Shares equal to the Merging Fund Exchange Ratio (as defined below), which Surviving Fund Common Shares thereupon shall be issued, fully paid and non-assessable, except as set forth in the Registration Statement (as defined below) (the Common Merger Shares). The Merging Fund Exchange Ratio shall be equal to a fraction, the numerator of which shall be the net asset value per share of the Surviving Fund Common Shares at the Valuation Time and the denominator of which shall be the net asset value per Merging Fund Common Unit at the Valuation Time. The Valuation Time shall be 4:00 p.m. Eastern Time on October 19, 2007 or such other date as mutually agreed by the parties hereto.

Section 1.03. At the Effective Time, by virtue of the Merger and without any action on the part of Surviving Fund, Merging Fund or the holders of Merging Fund Preferred Units or Surviving Fund Preferred Shares, each Merging Fund Preferred Unit issued and outstanding immediately prior to the Merger shall be converted into a number of shares of Surviving Fund Preferred Shares having an aggregate liquidation preference equal to the aggregate liquidation preference of such Merging Fund Preferred Unit at the Valuation Time, which Surviving Fund Preferred Shares thereupon shall be issued, fully paid and non-assessable, except as set forth in the Registration Statement (as defined below) (the Preferred Merger Shares, and together with the Common Merger Shares, the Merger Shares). Holders of Merging Fund Preferred A Units will receive four Surviving Fund Preferred C Shares for each Merging Fund Preferred A Unit they hold at the Valuation Time. No Merging Fund Preferred I Units are outstanding and no Merging Fund Preferred I Units will be outstanding at the Valuation Time; therefore, no Surviving Fund Preferred Shares will be exchanged for Merging Fund Preferred I Units.

Section 1.04. On the next full business day following the Valuation Time or otherwise as promptly as practicable after the Valuation Time, an

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account on the share records of the Surviving Fund will be established in the name of each record holder of the Merging Fund as of the Effective Time representing the number of full and fractional Merger Shares due the shareholder.

ARTICLE II.

Representations and Warranties of Surviving Fund

Section 2.01. Surviving Fund represents and warrants to and agrees with Merging Fund that:

(a) Surviving Fund is a business trust duly established and validly existing under the laws of The Commonwealth of Massachusetts and has power to own all of its property and assets and to carry out its obligations under this Agreement. Surviving Fund is not required to qualify as a foreign association in any jurisdiction. Surviving Fund has all necessary federal, state and local authorizations to carry on its business as now being conducted and to carry out this Agreement.

(b) Surviving Fund is registered under the Investment Company Act of 1940, as amended (the 1940 Act), as a closed-end management investment company, and such registration has not been revoked or rescinded and is in full force and effect.

(c) A statement of assets and liabilities, statement of operations, statement of changes in net assets and schedule of investments (indicating their market values) of Surviving Fund for the fiscal year ended April 30, 2007, audited by PricewaterhouseCoopers LLP, the Surviving Fund's independent registered public accounting firm, have been furnished to Merging Fund. The statement of assets and liabilities and the schedule of investments fairly present the financial position of Surviving Fund as of the date thereof, and the statement of operations and changes in net assets fairly reflect the results of its operations and changes in net assets for the period covered thereby in conformity with U.S. generally accepted accounting principles.

(d) There are no material legal, administrative or other proceedings pending or, to the knowledge of Surviving Fund, threatened against Surviving Fund which assert liability or which may, if successfully prosecuted to their conclusion, result in liability on the part of Surviving Fund, other than as have been disclosed in the Registration Statement (as defined below) or otherwise disclosed in writing to Merging Fund.

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(e) Surviving Fund has no known liabilities of a material nature, contingent or otherwise, other than those shown as belonging to it on its statement of assets and liabilities as of April 30, 2007 and those incurred in the ordinary course of Surviving Fund's business as an investment company since that date.

(f) No consent, approval, authorization or order of any court or governmental authority is required for the consummation by Surviving Fund of the transactions contemplated by this Agreement, except such as may be required under the Securities Act of 1933, as amended (the 1933 Act), the Securities Exchange Act of 1934, as amended (the 1934 Act), the 1940 Act, state securities or blue sky laws (which term as used herein will include the laws of the District of Columbia and of Puerto Rico) or the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the H-S-R Act).

(g) The registration statement and any amendment thereto (including any post-effective amendment) (the Registration Statement) filed with the Securities and Exchange Commission (the Commission) by Surviving Fund on Form N-14 relating to the Merger Shares and the proxy statement of Surviving Fund and Merging Fund included therein (the Proxy Statement), as of the effective date of the Registration Statement, (i) comply in all material respects with the provisions of the 1933 Act, the 1934 Act and the 1940 Act and the rules and regulations thereunder and (ii) do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and at the time of the shareholders' meeting referred to in Section 6.01 and at the Effective Time, the prospectus contained in the Registration Statement (the Prospectus), as amended or supplemented by any amendments or supplements filed or requested to be filed with the Commission, will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; provided, however, that none of the representations and warranties in this subsection will apply to statements in or omissions from the Registration Statement, the Prospectus or the Proxy Statement made in reliance upon and in conformity with information furnished by Merging Fund for use in the Registration Statement, the Prospectus or the Proxy Statement.

(h) There are no material contracts outstanding to which Surviving Fund is a party, other than as disclosed in the Registration Statement.

(i) All of the issued and outstanding shares of beneficial interest of Surviving Fund have been offered for sale and sold in material conformity with all applicable federal securities laws.

(j) Surviving Fund is and will at all times through the Effective Time qualify for taxation as a regulated investment company under Sections 851 and 852 of the Code.

(k) Surviving Fund has filed or will file all federal and state tax returns which, to the knowledge of Surviving Fund's officers, are required to be filed by Surviving Fund and has paid or will pay all federal and state taxes shown to be due on said returns or on any assessments received by Surviving Fund. All tax liabilities of Surviving Fund have been adequately provided for on its books, and to the knowledge of Surviving Fund, no tax deficiency or liability of Surviving Fund has been asserted, and no question with respect thereto has been raised, by the Internal Revenue Service or by any state or local tax authority for taxes in excess of those already paid. As of the Effective Time, Surviving Fund is not under audit by the Internal Revenue Service or by any state or local tax authority for taxes in excess of those already paid.

(l) The conversion of Merging Fund Common Units and Merging Fund Preferred Units to the Common Merger Shares and Preferred Merger Shares, respectively, pursuant to this Agreement will be in compliance with all applicable federal securities laws.

(m) The Merger Shares have been duly authorized and, when issued and delivered pursuant to this Agreement, will be legally and validly issued and will be fully paid and non-assessable by Surviving Fund (except as set forth in the Registration Statement), and no shareholder of Surviving Fund will have any preemptive right of subscription or purchase in respect thereof.

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ARTICLE III.

Representations and Warranties of Merging Fund

Section 3.01. Merging Fund represents and warrants to and agrees with Surviving Fund that:

(a) Merging Fund is a business trust duly established and validly existing under the laws of The Commonwealth of Massachusetts and has power to own all of its property and assets and to carry out its obligations under this Agreement and will take the steps necessary to convert into a limited liability company under the applicable provisions in Mass. Gen. Laws ch. 156C prior to the Effective Time. As of the Effective Time, Merging Fund will be a limited liability company duly established and validly existing under the laws of The Commonwealth of Massachusetts. Merging Fund is not required to qualify as a foreign association in any jurisdiction. Merging Fund has all necessary federal, state and local authorizations to carry on its business as now being conducted and to carry out this Agreement.

(b) Merging Fund is registered under the 1940 Act as a closed-end management investment company, and such registration has not been revoked or rescinded and is in full force and effect.

(c) A statement of assets and liabilities, statement of operations, statement of changes in net assets and schedule of investments (indicating their market values) of Merging Fund for the fiscal year ended November 30, 2006, audited by KPMG LLP, the Merging Fund's independent registered public accounting firm, and an unaudited statement of assets and liabilities, statement of operations, statement of changes in net assets and schedule of investments (indicating their market value) of Merging Fund for the six-months ended May 31, 2007, have been furnished to Surviving Fund. Such statements of assets and liabilities and schedules of investments fairly present the financial position of Merging Fund as of the dates thereof, and the statements of operations and changes in net assets fairly reflect the results of its operations and changes in net assets for the periods covered thereby in conformity with U.S. generally accepted accounting principles.

(d) There are no material legal, administrative or other proceedings pending or, to the knowledge of Merging Fund, threatened against Merging Fund which assert liability or which may, if successfully prosecuted to their conclusion, result in liability on the part of Merging Fund, other than as have been disclosed in the Registration Statement or otherwise disclosed in writing to the Surviving Fund.

(e) Merging Fund has no known liabilities of a material nature, contingent or otherwise, other than those shown as belonging to it on its statement of assets and liabilities as of May 31, 2007 and those incurred in the ordinary course of Merging Fund's business as an investment company since such date. Before the Effective Time, Merging Fund will advise Surviving Fund of all material liabilities, contingent or otherwise, incurred by it subsequent to May 31, 2007, whether or not incurred in the ordinary course of business.

(f) No consent, approval, authorization or order of any court or governmental authority is required for the consummation by Merging Fund of the transactions contemplated by this Agreement, except such as may be required under the 1933 Act, the 1934 Act, the 1940 Act, state securities or blue sky laws or the H-S-R Act.

(g) The Registration Statement, the Prospectus and the Proxy Statement, as of the effective date of the Registration Statement and insofar as they do not relate to Surviving Fund (i) comply in all material respects with the provisions of the 1933 Act, the 1934 Act and the 1940 Act and the rules and regulations thereunder and (ii) do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and at the time of the shareholder meeting referred to in Section 6.01 below and on the Effective Time, the Prospectus, as amended or supplemented by any amendments or supplements filed or requested to be filed with the Commission, will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or

necessary to make the statements therein not misleading; provided, however, that the representations and warranties in this subsection will apply only to statements of fact or omissions of statements of fact relating to Merging Fund contained in the Registration Statement, the Prospectus or the Proxy Statement, as such Registration Statement, Prospectus and Proxy Statement shall have been furnished to Merging Fund in definitive form as soon as practicable

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following effectiveness of the Registration Statement and before any public distribution of the Prospectus or Proxy Statement.

(h) All of the issued shares of beneficial interest of Merging Fund that will be converted into Merging Fund Common Units and Merging Fund Preferred Units prior to the Effective Time have been offered for sale and sold in material conformity with all applicable federal securities laws.

(i) Merging Fund is and will at all times through the Effective Time qualify for taxation as a regulated investment company under Sections 851 and 852 of the Code.

(j) Merging Fund has filed or will file all federal and state tax returns which, to the knowledge of Merging Fund's officers, are required to be filed by Merging Fund and has paid or will pay all federal and state taxes shown to be due on said returns or on any assessments received by Merging Fund. All tax liabilities of Merging Fund have been adequately provided for on its books, and to the knowledge of Merging Fund, no tax deficiency or liability of Merging Fund has been asserted, and no question with respect thereto has been raised, by the Internal Revenue Service or by any state or local tax authority for taxes in excess of those already paid. As of the Effective Time, Merging Fund is not under audit by the Internal Revenue Service or by any state or local tax authority for taxes in excess of those already paid.

(k) At both the Valuation Time and the Effective Time, Merging Fund will have full right, power and authority to merge with Surviving Fund pursuant to this Agreement. At the Effective Time, the property and liabilities of the Merging Fund will vest in the Surviving Fund subject to no encumbrances, liens or security interests whatsoever and without any restrictions upon the transfer thereof (except as previously disclosed to Surviving Fund by Merging Fund). As used in this Agreement, the term Investments means Merging Fund's investments shown on the schedule of its investments as of May 31, 2007 referred to in Section 3.01(c) hereof, as supplemented with such changes as Merging Fund makes and changes resulting from stock dividends, stock splits, mergers and similar corporate actions.

(l) No registration under the 1933 Act of any of the Investments would be required if they were, as of the Effective Time, the subject of a public distribution by either of Surviving Fund or Merging Fund, except as previously disclosed to Surviving Fund by Merging Fund.

ARTICLE IV.

Exchange of Shares

Section 4.01. Shareholders of certificated Merging Fund Common Units will receive certificates representing the number of Common Merger Shares due the shareholder upon surrender of their Merging Fund certificates (Certificates) in accordance with this Agreement. Shareholders of Merging Fund who do not surrender their Certificates by the Valuation Time will not be permitted to receive cash dividends or other distributions, transfer any Common Merger Shares or pledge any Common Merger Shares until such Certificates have been surrendered, or, in the case of lost Certificates, until an adequate surety bond has been posted. If the Common Merger Shares are to be issued to any person other than the person in whose name the Certificate(s) so surrendered in exchange therefore are registered, it shall be a condition to such exchange that the Certificate(s) so surrendered shall be properly endorsed or otherwise be in proper form for transfer and that the person requesting such exchange shall pay to the Surviving Fund any transfer or other taxes required by reason of the payment of such consideration to a person other than the registered holder of the Certificate(s) surrendered, or shall establish to the reasonable satisfaction of the Surviving Fund that such tax has been paid or is not applicable.

Section 4.02. With respect to uncertificated Merging Fund Common Units and Merging Fund Preferred Units, the record owner of such limited liability company interests on the books and records of the Fund's transfer agent as of the Valuation Time shall be entitled to receive on the Effective Time Preferred Common Shares and Preferred Merger Shares, respectively, in accordance with this Agreement.

ARTICLE V.

Expenses, Fees, etc.

Section 5.01. All fees and expenses, including legal and accounting expenses, portfolio transfer taxes (if any) or other similar expenses incurred in connection with the consummation by Merging Fund and Surviving Fund of the transactions contemplated by this Agreement will be allocated ratably between Merging Fund and Surviving Fund in proportion to their net assets as of the Valuation Time, except that (i) the costs of proxy materials and proxy solicitation for each Fund will be borne by that Fund (except the

costs of SEC filings, will be borne by Surviving Fund only), and (ii) the costs of repositioning the portfolio of Merging Fund to reflect the investment policies of Surviving Fund incurred prior to the Effective Time shall be borne by Merging Fund; provided, however, that such expenses will in any event be paid by the party directly incurring such expenses if and to the extent that the payment by the other party of such expenses would result in the disqualification of Surviving Fund or Merging Fund, as the case may be, as a regulated investment company within the meaning of Section 851 of the Code.

Section 5.02. In the event the transactions contemplated by this Agreement are not consummated by reason of (i) Surviving Fund's being either unwilling or unable to go forward (other than by reason of the non-fulfillment or failure of any condition to Surviving Fund's obligations referred to in Article VII) or (ii) the non-fulfillment or failure of any condition to Merging Fund's obligations referred to in Article VIII, Surviving Fund will pay directly all reasonable fees and expenses incurred by Merging Fund in connection with such transactions, including, without limitation, legal, accounting and filing fees.

Section 5.03. In the event the transactions contemplated by this Agreement are not consummated by reason of (i) Merging Fund's being either unwilling or unable to go forward (other than by reason of the non-fulfillment or failure of any condition to Merging Fund's obligations referred to in Article VIII) or (ii) the non-fulfillment or failure of any condition to Surviving Fund's obligations referred to in Article VII, Merging Fund will pay directly all reasonable fees and expenses incurred by Surviving Fund in connection with such transactions, including without limitation legal, accounting and filing fees.

Section 5.04. In the event the transactions contemplated by this Agreement are not consummated for any reason other than (i) Surviving Fund's or Merging Fund's being either unwilling or unable to go forward or (ii) the non-fulfillment or failure of any condition to Surviving Fund's or Merging Fund's obligations referred to in Article VII or Article VIII of this Agreement, then each of Surviving Fund and Merging Fund will bear all of its own expenses incurred in connection with such transactions.

Section 5.05. Notwithstanding any other provisions of this Agreement, if for any reason the transactions contemplated by this Agreement are not consummated, no party will be liable to the other party for any damages resulting therefrom, including without limitation consequential damages, except as specifically set forth above.

ARTICLE VI.

Meeting of Shareholders

Section 6.01. Each of Surviving Fund and Merging Fund agrees to hold a meeting of its shareholders as soon as is advisable in the discretion of the applicable Fund's Board of Trustees after the effective date of the Registration Statement for, among other things, the purpose of considering the matters contemplated by this Agreement.

Section 6.02. Surviving Fund has, after the preparation and delivery to it by Merging Fund of a preliminary version of the Proxy Statement which was satisfactory to Surviving Fund and to Ropes & Gray LLP for inclusion in the Registration Statement, filed the Registration Statement with the Commission. Each of Merging Fund and Surviving Fund will cooperate with the other, and each will furnish to the other the information relating to itself required by the 1933 Act, the 1934 Act and the 1940 Act and the rules and regulations thereunder to be set forth in the Registration Statement, including the Prospectus and the Proxy Statement.

ARTICLE VII.

Conditions to Surviving Fund's Obligations

Section 7.01. The obligations of Surviving Fund hereunder are subject to the following conditions: (a) That this Agreement will have been adopted and the transactions contemplated hereby will have been approved by the affirmative vote of (i) at least two-thirds of the Trustees of Merging Fund (including a majority of those Trustees who are not interested persons of Merging Fund, as defined in Section 2(a)(19) of the 1940 Act), (ii) holders of a majority of the outstanding limited liability company interests of Merging Fund entitled to vote on the Merger, each class voting separately, (iii) at least two-thirds of the Trustees of Surviving Fund (including a majority of those Trustees who are not interested persons of Surviving Fund, as defined in Section 2(a)(19) of the 1940 Act), and (iv) holders of a majority of the outstanding shares of Surviving Fund entitled to vote on the Merger, voting together.

(b) That Merging Fund will have furnished to Surviving Fund a statement of Merging Fund's net assets, with values determined as provided in Section 1.02 of this Agreement, together with a list of Investments with their respective tax costs,

all as of the Valuation Time, certified on Merging Fund's behalf by Merging Fund's President (or any Executive Vice President or Vice President) and Treasurer (or any Associate Treasurer or Assistant Treasurer) and a certificate of both such officers, dated as of the Effective Time, to the effect that as of the Valuation Time and as of the Effective Date there has been no material adverse change in the financial position of Merging Fund since May 31, 2007 other than changes in the Investments and other assets and properties since that date or changes in the market value of the Investments and other assets of Merging Fund or changes due to dividends paid or losses from operations.

(c) That Merging Fund will have furnished to Surviving Fund a statement, dated as of the Effective Time, signed on behalf of Merging Fund by Merging Fund's President (or any Executive Vice President or Vice President) and Treasurer (or any Associate Treasurer or Assistant Treasurer) certifying that as of the Valuation Time and as of the Effective Time all representations and warranties of Merging Fund made in this Agreement are true and correct in all material respects as if made at and as of such dates, and that Merging Fund has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied at or before each of such dates.

(d) That Merging Fund will have delivered to Surviving Fund an agreed upon procedures letter from KPMG LLP dated as of the Effective Time, setting forth findings of KPMG LLP pursuant to its performance of the agreed upon procedures set forth therein relating to management's assertions that Merging Fund, (i) for the taxable period from November 30, 2006 to the Effective Time, qualified as a regulated investment company under the Code, (ii) as of the Effective Time, has no liability other than liabilities stated for federal or state income taxes and (iii) as of the Effective Time, has no liability for federal excise tax purposes under section 4982 of the Code.

(e) That there will not be any material litigation pending with respect to the matters contemplated by this Agreement.

(f) That Surviving Fund will have received an opinion of Ropes & Gray LLP dated as of the Effective Time, in form satisfactory to Surviving Fund, to the effect that (i) Merging Fund is a limited liability company duly established and validly existing under the laws of The Commonwealth of Massachusetts, and, to the knowledge of such counsel, is not required to qualify to do business as a foreign association in any jurisdiction except as may be required by state securities or blue sky laws, (ii) this Agreement has been duly authorized, executed, and delivered by Merging Fund and, assuming that the Registration Statement, the Prospectus and the Proxy Statement comply with the 1933 Act, the 1934 Act and the 1940 Act and assuming due authorization, execution and delivery of this Agreement by Surviving Fund, is a valid and binding obligation of Merging Fund, (iii) Merging Fund has power to merge with the Surviving Fund as contemplated hereby and, upon consummation of the transactions contemplated hereby in accordance with the terms of this Agreement, the property and liabilities of the Merging Fund will be vested in Surviving Fund, (iv) the execution and delivery of this Agreement did not, and the consummation of the transactions contemplated hereby will not, violate Merging Fund's Certificate of Organization or Operating Agreement or any provision of any agreement known to such counsel to which Merging Fund is a party or by which it is bound, it being understood that with respect to investment restrictions as contained in Merging Fund's Certificate of Organization, Operating Agreement, prospectus or the Registration Statement, such counsel may rely upon a certificate of an officer of Merging Fund, (v) no consent, approval, authorization or order of any court or governmental authority is required for the consummation by Merging Fund of the transactions contemplated hereby, except such as have been obtained under the 1933 Act, the 1934 Act, the 1940 Act and such as may be required under state securities or blue sky laws and the H-S-R Act and (vi) such other matters as Surviving Fund may reasonably deem necessary or desirable.

(g) That Surviving Fund will have received an opinion of Ropes & Gray LLP dated as of the Effective Time (which opinion would be based upon certain factual representations and subject to certain qualifications) to the effect that, on the basis of the existing provisions of the Code, current administrative rules and court decisions, for federal income tax purposes: (i) the vesting of all

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of the property and liabilities of the Merging Fund in the Surviving Fund, constitutes a reorganization within the meaning of Section 368(a) of the Code and Merging Fund and Surviving Fund will each be a party to a reorganization within the meaning of Section 368(b) of the Code, (ii) no gain or loss will be recognized by Surviving Fund or its shareholders upon vesting of the Investments in Surviving Fund pursuant to this Agreement, (iii) the basis to Surviving Fund of the Investments will be the same as the basis of the Investments in the hands of Merging Fund immediately prior to the merger, (iv) Surviving Fund's holding periods with respect to the Investments will include the respective periods for which the Investments were held by Merging Fund and (v) Surviving Fund will succeed to and take into account the items of Merging Fund described in Section 381(c) of the Code, subject to the conditions and limitations specified in Sections 381, 382, 383 and 384 of the Code and Regulations thereunder; however, Ropes & Gray LLP will express no view with respect to the effect of the reorganization on any transferred asset as to which any unrealized gain or loss is required to be recognized at the end of a taxable year (or on the termination or transfer thereof) under federal income tax principles.

(h) That the property of Merging Fund to be vested in Surviving Fund pursuant to the Merger will include no assets which Surviving Fund, by reason of charter limitations or investment restrictions disclosed in the Registration Statement in effect on the Effective Time, may not properly

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hold.

(i) That the Registration Statement will have become effective under the 1933 Act, and no stop order suspending such effectiveness will have been instituted or, to the knowledge of Surviving Fund, threatened by the Commission.

(j) That Surviving Fund will have received from the Commission, any relevant state securities administrator, the Federal Trade Commission (the FTC) and the Department of Justice (the Department) such order or orders as Ropes & Gray LLP deems reasonably necessary or desirable under the 1933 Act, the 1934 Act, the 1940 Act, any applicable state securities or blue sky laws and the H-S-R Act in connection with the transactions contemplated hereby and that all such orders will be in full force and effect.

(k) That all actions taken by or on behalf of Merging Fund in connection with the transactions contemplated by this Agreement and all documents incidental thereto will be satisfactory in form and substance to Surviving Fund and Ropes & Gray LLP.

(l) That, before the Effective Time, Merging Fund will have declared a dividend or dividends which, together with all previous such dividends, will have the effect of distributing to the shareholders of Merging Fund (i) all of the excess of (X) Merging Fund's investment income excludable from gross income under Section 103 of the Code over (Y) Merging Fund's deductions disallowed under Sections 265 and 171 of the Code, (ii) all of Merging Fund's investment company taxable income (as defined in Section 852 of the Code) for its taxable years ending on or after November 30, 2006, and on or prior to the Effective Time (computed in each case without regard to any deduction for dividends paid), and (iii) all of its net capital gain realized after reduction by any capital loss carryover in each of its taxable years ending on or after November 30, 2006, and on or prior to the Effective Time.

(m) That Merging Fund's custodian will have delivered to Surviving Fund a certificate identifying all of the assets of Merging Fund held by such custodian as of the Valuation Time.

(n) That Merging Fund's transfer agent will have provided to Surviving Fund (i) the originals or true copies of all of the records of Merging Fund in the possession of such transfer agent as of the Effective Time, (ii) a certificate setting forth the number of shares of Merging Fund outstanding as of the Valuation Time and (iii) the name and address of each holder of record of any such shares and the number of shares held of record by each such shareholder.

(o) That all of the issued and outstanding shares of beneficial interest that will have been converted into Merging Fund Common Units and Merging Fund Preferred Units will have been offered for sale and sold in material conformity with all applicable state securities or blue sky laws and, to the extent that any audit of the records of Merging Fund or its transfer agent by Surviving Fund or its agents will have revealed otherwise, either (i) Merging Fund will have taken all actions that in the opinion of Surviving Fund or its counsel are

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necessary to remedy any prior failure on the part of Merging Fund to have offered for sale and sold such shares in conformity with such laws or (ii) Merging Fund will have furnished (or caused to be furnished) surety, or deposited (or caused to be deposited) assets in escrow, for the benefit of Surviving Fund in amounts sufficient and upon terms satisfactory, in the opinion of Surviving Fund or its counsel, to indemnify Surviving Fund against any expense, loss, claim, damage or liability whatsoever that may be asserted or threatened by reason of such failure on the part of Merging Fund to have offered and sold such shares in conformity with such laws.

(p) That Surviving Fund will have received from KPMG LLP an agreed upon procedures letter addressed to Surviving Fund dated as of the Effective Time satisfactory in form and substance to Surviving Fund setting forth the findings of KPMG LLP pursuant to its performance of the agreed upon procedures set forth therein relating to management's assertion that as of the Valuation Time the value of the assets of Merging Fund to be vested in Surviving Fund has been determined in accordance with the provisions of Article 10, Section 5 of Surviving Fund's Bylaws pursuant to the procedures customarily utilized by Surviving Fund in valuing its assets and issuing its shares.

(q) That Merging Fund will have executed and delivered to Surviving Fund a Certificate of Merger pursuant to which all of the property and liabilities of Merging Fund will be vested in Surviving Fund.

(r) That Standard & Poor's Ratings Group and Moody's Investor Service, Inc. shall have advised Surviving Fund that the consummation of the transactions described in this Agreement will not result in the withdrawal of their current ratings of Surviving Fund's outstanding Surviving Fund Preferred Shares.

(s) That the authorization, creation and issuance of the Preferred Merger Shares shall have been approved by holders of a majority of Surviving Fund's outstanding preferred shares.

(t) That the Common Merger Shares shall have been accepted for listing by the New York Stock Exchange.

ARTICLE VIII.

Conditions to the Merging Fund's Obligations

Section 8.01. The obligations of Merging Fund hereunder will be subject to the following conditions:

- (a) That a Plan of Conversion substantially in the form set forth as Annex I will have been adopted and the transactions contemplated hereby will have been approved by the affirmative vote of (i) at least two-thirds of the Trustees of Merging Fund and (ii) holders of a majority of the outstanding shares of Merging Fund entitled to vote on the Conversion, each voting separately as a class.
- (b) That this Agreement will have been adopted and the transactions contemplated hereby will have been approved by the affirmative vote of (i) at least two-thirds of the Trustees of Merging Fund (including a majority of those Trustees who are not interested persons of Merging Fund, as defined in Section 2(a)(19) of the 1940 Act), (ii) holders of a majority of the outstanding limited liability company interests of Merging Fund entitled to vote on the Merger, each class voting separately, (iii) at least two-thirds of the Trustees of Surviving Fund (including a majority of those Trustees who are not interested persons of Surviving Fund, as defined in Section 2(a)(19) of the 1940 Act), and (iv) holders of a majority of the outstanding shares of Surviving Fund entitled to vote on the Merger, voting together.
- (c) That Surviving Fund will have furnished to Merging Fund a statement of Surviving Fund's net assets, together with a list of portfolio holdings with values determined as provided in Section 1.02 of this Agreement, all as of the Valuation Time, certified on behalf of Surviving Fund by Surviving Fund's President (or any Executive Vice President or Vice President) and Treasurer (or any Associate Treasurer or Assistant Treasurer) and a certificate of both such officers, dated as of the Effective Time, to the effect that as of the Valuation Time and as of the Effective Time there has been no material adverse change in the financial position of Surviving Fund since April 30, 2007, other than changes in its portfolio securities since that date, changes due to net sales or net redemptions, changes in the market value of its portfolio securities or changes due to dividends paid or losses from operations.
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- (d) That Surviving Fund will have furnished to Merging Fund a statement, dated the Effective Time, signed on behalf of Surviving Fund by Surviving Fund's President (or any Executive Vice President Vice President) and Treasurer (or any Associate Treasurer or Assistant Treasurer) certifying that as of the Valuation Time and as of the Effective Time all representations and warranties of Surviving Fund made in this Agreement are true and correct in all material respects as if made at and as of such dates, and that Surviving Fund has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied at or prior to each of such dates.
- (e) That there will not be any material litigation pending or threatened with respect to the matters contemplated by this Agreement.
- (f) That Merging Fund will have received an opinion of Ropes & Gray LLP, in form satisfactory to Merging Fund and dated as of the Effective Time, to the effect that (i) Surviving Fund is a business trust duly established and validly existing in conformity with the laws of The Commonwealth of Massachusetts and, to the knowledge of such counsel, is not required to qualify to do business as a foreign association in any jurisdiction except as may be required by state securities or blue sky laws, (ii) this Agreement has been duly authorized, executed and delivered by Surviving Fund and, assuming that the Prospectus, the Registration Statement and the Proxy Statements comply with the 1933 Act, the 1934 Act and the 1940 Act and assuming due authorization, execution and delivery of this Agreement by Merging Fund, is a valid and binding obligation of Surviving Fund, (iii) the Merger Shares are duly authorized and upon conversion will be validly issued and will be fully paid and non-assessable (except as set forth in the Registration Statement) by Surviving Fund and no shareholder of Surviving Fund has any preemptive right to subscription or purchase in respect thereof, (iv) the execution and delivery of this Agreement did not, and the consummation of the transactions contemplated hereby will not, violate Surviving Fund's Agreement and Declaration of Trust, as amended, or Bylaws, or any provision of any agreement known to such counsel to which Surviving Fund is a party or by which it is bound, it being understood that with respect to investment restrictions as contained in Surviving Fund's Agreement and Declaration of Trust, as amended, Bylaws or the Registration Statement, such counsel may rely upon a certificate of an officer of Surviving Fund whose responsibility it is to advise Surviving Fund with respect to such matters, (v) no consent, approval, authorization or order of any court or governmental authority is required for the consummation by Surviving Fund of the transactions contemplated herein, except such as have been obtained under the 1933 Act, the 1934 Act and the 1940 Act and such as may be required under state securities or blue sky laws and the H-S-R Act and (vi) the Registration Statement has become effective under the 1933 Act, and, to the best of the knowledge of such counsel, no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been instituted or are pending or contemplated under the 1933 Act.
- (g) That Merging Fund will have received an opinion of Ropes & Gray LLP dated as of the Effective Time (which opinion would be based upon certain factual representations and subject to certain qualifications) to the effect that, on the basis of the existing provisions of the Code, current administrative rules and court decisions, subject to the qualification below, for federal income tax purposes: (i) the vesting in Surviving Fund of

all of the property and liabilities of Merging Fund pursuant to the Certificate of Merger, constitutes a reorganization within the meaning of Section 368(a) of the Code and Merging Fund and Surviving Fund will each be a party to a reorganization within the meaning of Section 368(b) of the Code, (ii) no gain or loss will be recognized by Merging Fund upon the vesting of the Investments in Surviving Fund, (iii) no gain or loss will be recognized by the Merging Fund shareholders on the conversion of their shares of the Merging Fund into Merger Shares, (iv) the aggregate basis of the Merger Shares a Merging Fund shareholder receives in connection with the transaction will be the same as the aggregate basis of the Merging Fund shares he or she held immediately prior to the merger and (v) a Merging Fund shareholder's holding period for his or her Merger Shares will be determined by including the period for which he or she held Merging Fund shares that were converted into such Merger Shares, provided that the shareholder held Merging Fund's shares as a capital asset; however, Ropes & Gray LLP will express no

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view with respect to the effect of the reorganization on any transferred asset as to which any unrealized gain or loss is required to be recognized at the end of a taxable year (or on the termination or transfer thereof) under federal income tax principles.

(h) That all actions taken by or on behalf of Surviving Fund in connection with the transactions contemplated by this Agreement and all documents incidental thereto will be satisfactory in form and substance to Merging Fund and Ropes & Gray LLP.

(i) That the Registration Statement will have become effective under the 1933 Act and no stop order suspending such effectiveness will have been instituted or, to the knowledge of Surviving Fund, threatened by the Commission.

(j) That Merging Fund will have received from the Commission, any relevant state securities administrator, the FTC and the Department such order or orders as Ropes & Gray LLP deems reasonably necessary or desirable under the 1933 Act, the 1934 Act, the 1940 Act, any applicable state securities or blue sky laws and the H-S-R Act in connection with the transactions contemplated hereby and that all such orders will be in full force and effect.

(k) That Merging Fund shall have been advised by Standard & Poor's and Moody's Investors Services, Inc. that the Preferred Merger Shares will be rated AAA and Aaa, respectively.

(l) That the Common Merger Shares shall have been accepted for listing by the New York Stock Exchange.

ARTICLE IX. Indemnification

Section 9.01. Merging Fund will indemnify and hold harmless, out of the assets of Merging Fund but no other assets, Surviving Fund, its trustees and its officers (for purposes of this section, the Indemnified Parties) against any and all expenses, losses, claims, damages and liabilities at any time imposed upon or reasonably incurred by any one or more of the Indemnified Parties in connection with, arising out of, or resulting from any claim, action, suit or proceeding in which any one or more of the Indemnified Parties may be involved or with which any one or more of the Indemnified Parties may be threatened by reason of any untrue statement or alleged untrue statement of a material fact relating to Merging Fund contained in the Registration Statement, the Prospectus, the Proxy Statement or any amendment or supplement to any of the foregoing, or arising out of or based upon the omission or alleged omission to state in any of the foregoing a material fact relating to Merging Fund required to be stated therein or necessary to make the statements relating to Merging Fund therein not misleading, including, without limitation, any amounts paid by any one or more of the Indemnified Parties in a reasonable compromise or settlement of any such claim, action, suit or proceeding, or threatened claim, action, suit or proceeding made with the consent of Merging Fund. The Indemnified Parties will notify Merging Fund in writing within ten days after the receipt by any one or more of the Indemnified Parties of any notice of legal process or any suit brought against or claim made against such Indemnified Party as to any matters covered by this Section 9.01. Merging Fund shall be entitled to participate at its own expense in the defense of any claim, action, suit or proceeding covered by this Section 9.01, or, if it so elects, to assume at its expense by counsel satisfactory to the Indemnified Parties the defense of any such claim, action, suit or proceeding, and if Merging Fund elects to assume such defense, the Indemnified Parties will be entitled to participate in the defense of any such claim, action, suit or proceeding at their expense. Merging Fund's obligation under this Section 9.01 to indemnify and hold harmless the Indemnified Parties will constitute a guarantee of payment so that Merging Fund will pay in the first instance any expenses, losses, claims, damages and liabilities required to be paid by it under this Section 9.01 without the necessity of the Indemnified Parties first paying the same.

Section 9.02. Surviving Fund will indemnify and hold harmless, out of the assets of Surviving Fund but no other assets, Merging Fund, its trustees and its officers (for purposes of this section, the Indemnified Parties) against any and all expenses, losses, claims, damages and liabilities at any time imposed upon or reasonably incurred by any one or more of the Indemnified Parties in connection with, arising out of, or resulting from any claim, action, suit or proceeding in which any one or more of the Indemnified Parties may be involved or with which any one or more of the Indemnified Parties may be threatened by reason of any untrue statement or alleged untrue statement of a material fact relating to Surviving Fund contained in the Registration Statement, the Prospectus, the Proxy Statement, or any amendment or supplement to any thereof,

or arising out of, or based upon, the omission

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or alleged omission to state in any of the foregoing a material fact relating to Surviving Fund required to be stated therein or necessary to make the statements relating to Surviving Fund therein not misleading, including without limitation any amounts paid by any one or more of the Indemnified Parties in a reasonable compromise or settlement of any such claim, action, suit or proceeding, or threatened claim, action, suit or proceeding made with the consent of Surviving Fund. The Indemnified Parties will notify Surviving Fund in writing within ten days after the receipt by any one or more of the Indemnified Parties of any notice of legal process or any suit brought against or claim made against such Indemnified Party as to any matters covered by this Section 9.02. Surviving Fund shall be entitled to participate at its own expense in the defense of any claim, action, suit or proceeding covered by this Section 9.02, or, if it so elects, to assume at its expense by counsel satisfactory to the Indemnified Parties the defense of any such claim, action, suit or proceeding, and, if Surviving Fund elects to assume such defense, the Indemnified Parties will be entitled to participate in the defense of any such claim, action, suit or proceeding at their own expense. Surviving Fund's obligation under this Section 9.02 to indemnify and hold harmless the Indemnified Parties will constitute a guarantee of payment so that Surviving Fund will pay in the first instance any expenses, losses, claims, damages and liabilities required to be paid by it under this Section 9.02 without the necessity of the Indemnified Parties first paying the same.

ARTICLE X.

No Broker

Section 10.01. Each of Merging Fund and Surviving Fund represents that there is no person who has dealt with it who by reason of such dealings is entitled to any broker's or finder's or other similar fee or commission arising out of the transactions contemplated by this Agreement.

ARTICLE XI.

Rule 145

Section 11.01. Pursuant to Rule 145 under the 1933 Act, Surviving Fund will, in connection with the issuance of any Merger Shares to any person who at the time of the transaction contemplated hereby is deemed to be an affiliate of a party to the transaction pursuant to Rule 145(c), cause to be affixed upon any certificates issued to such person a legend as follows:

THE SHARES REPRESENTED BY THIS CERTIFICATE WERE ISSUED IN A TRANSACTION TO WHICH RULE 145 UNDER THE SECURITIES ACT OF 1933, AS AMENDED, APPLIES. THE SHARES REPRESENTED BY THIS CERTIFICATE MAY ONLY BE TRANSFERRED IN ACCORDANCE WITH SUCH RULE.

and, further, Surviving Fund will issue stop transfer instructions to Surviving Fund's transfer agent with respect to such shares. Merging Fund will provide Surviving Fund on the Effective Time with the name of any Merging Fund shareholder who is to the knowledge of Merging Fund an affiliate of Merging Fund on such date.

ARTICLE XII.

Covenants, Etc. Deemed Material

Section 12.01. All covenants, agreements, representations and warranties made under this Agreement and any certificates delivered pursuant to this Agreement will be deemed to have been material and relied upon by each of the parties, notwithstanding any investigation made by them or on their behalf.

ARTICLE XIII.

Sole Agreement

Section 13.01. This Agreement supersedes all previous correspondence and oral communications between the parties regarding the subject matter hereof, constitutes the only understanding with respect to such subject matter, may not be changed except by a letter of agreement signed by each party hereto and will be construed in accordance with and governed by the laws of The Commonwealth of Massachusetts.

ARTICLE XIV.

Agreement and Declaration of Trust

Section 14.01. Copies of the Agreements and Declaration of Trust, as amended, of Surviving Fund and Merging Fund (prior to the Conversion) are on file with the Secretary of The Commonwealth of Massachusetts, and notice is hereby given that this instrument is executed on behalf of the Trustees of each of Surviving Fund and Merging Fund, respectively, as Trustees and not individually and that the obligations of this instrument are not binding upon any of the Trustees, officers or shareholders of Surviving Fund or Merging Fund individually but are binding only upon the assets and property of Surviving Fund and Merging Fund, respectively.

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ARTICLE XV.

Amendment and Termination

Section 15.01. The parties hereto by mutual consent of their respective Boards of Trustees and Managers, as applicable, may amend, modify or supplement this Agreement in such manner as may be agreed upon by them in writing, at any time prior to the Effective Time, including after it is approved by shareholders of the Merging Fund or Surviving Fund, to the extent permitted by applicable law.

Section 15.02. This Agreement may be terminated and the Merger and other transactions herein provided for abandoned at any time, whether before or after approval of this Agreement by the shareholders of the Merging Fund, by action of the Board of Managers or Board of Trustees of either Fund, as applicable, if the applicable Board for such Fund determines for any reason that the consummation of the transactions provided for herein would for any reason be inadvisable or not in the best interests of such Fund or its shareholders.

ARTICLE XVI.

Effective Time of the Merger

Section 16.01. Subject to the authority to terminate this Agreement as set forth in Section 16.02 hereof, each Fund shall do all such acts and things as shall be necessary or desirable in order to make the Effective Time occur on October 22, 2007 or such other date as mutually agreed by the Funds.

ARTICLE XVII.

Miscellaneous

Section 17.01. This Agreement may be executed in counterparts, each of which when so executed shall be deemed to be an original, and such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, Surviving Fund and Merging Fund, pursuant to approval and authorization duly given by resolutions adopted by their respective Boards of Managers and Trustees, as applicable, have each caused this Agreement and Plan of Merger to be executed as of the date first written above by its President or Executive Vice President or Treasurer or Associate Treasurer or Assistant Treasurer.

**PUTNAM MUNICIPAL
OPPORTUNITIES TRUST**

By: _____

Name:

Title:

**PUTNAM INVESTMENT GRADE
MUNICIPAL TRUST**

By: _____

Name:

Title:

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Annex I: Form of Plan of Entity Conversion

See Appendix A

Annex II: Form of Certificate of Merger

THE COMMONWEALTH OF MASSACHUSETTS

William Francis Galvin

Secretary of the Commonwealth

One Ashburton Place,
Boston, Massachusetts 02108-1512

Certificate of Merger
(General Laws Chapter 156C, Section 61)

(1) Exact name of each limited liability company or other entity involved in the merger and jurisdiction of formation or organization:

**Putnam Investment Grade Municipal
Trust LLC, a Massachusetts limited
liability company**

**Putnam Municipal Opportunities Trust,
a Massachusetts business trust**

(2) An Agreement and Plan of Merger between Putnam Investment Grade Municipal Trust LLC and Putnam Municipal Opportunities Trust (the Plan of Merger) has been approved and executed by each of Putnam Investment Grade Municipal Trust LLC and Putnam Municipal Opportunities Trust.

(3) Exact name of the surviving entity: Putnam Municipal Opportunities Trust

(4) The future effective date or time of the merger if not effective upon the filing of the Certificate of Merger with the office of the Secretary of the Commonwealth: _____.

(5) The Plan of Merger is on file at the offices of Putnam Municipal Opportunities Trust, One Post Office Square, Boston, Massachusetts 02109.

(6) A copy of the Plan of Merger will be furnished by Putnam Municipal Opportunities Trust, upon request and without cost, to any member of Putnam Investment Grade Municipal Trust LLC or any person holding an interest in Putnam Municipal Opportunities Trust.

Executed on _____, 2007

By: _____

Name:

Authorized Signatory

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APPENDIX B

AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER (Agreement) dated as of August __, 2007, by and between Putnam Municipal Opportunities Trust, a Massachusetts business trust (Surviving Fund), and Putnam Municipal Bond Fund, a Massachusetts business trust that will have completed an entity conversion (the Conversion) into a Massachusetts limited liability company prior to the Effective Time (as herein defined) (Merging Fund).

WITNESSETH:

WHEREAS, Surviving Fund has an authorized capitalization consisting of an unlimited number of common shares of beneficial interest, without par value (Surviving Fund Common Shares); (b) 800 preferred shares of beneficial interest, designated Remarketed Preferred Shares, Series A, without par value (Surviving Fund Preferred A Shares); 1,620 preferred shares of beneficial interest, designated Remarketed Preferred Shares, Series B, without par value (Surviving Fund Preferred B Shares); and 1,620 preferred shares of beneficial interest, designated Remarketed Preferred Shares, Series C, without par value (Surviving Fund Preferred C Shares, and together with the Surviving Fund Preferred A Shares and Surviving Fund Preferred B Shares, the Surviving Fund Preferred Shares);

WHEREAS, the Board of Trustees of Merging Fund has adopted, subject to shareholder approval, the Plan of Conversion in substantially the form attached hereto as Annex I, pursuant to which Merging Fund will convert to a Massachusetts limited liability company with the name Putnam Municipal Bond Fund LLC (the Plan of Conversion);

WHEREAS, Merging Fund has an authorized capitalization consisting of an unlimited number of common shares of beneficial interest, without par value, which will be converted on a one-to-one basis into a class of limited liability company interests of Merging Fund in connection with the Conversion (referred to herein as Merging Fund Common Units); 2,920 preferred shares of beneficial interest, designated Auction Rate Municipal Preferred Shares, Series A, without par value, which will be converted on a one-to-one basis into a class of limited liability company interests of Merging Fund in connection with the Conversion (referred to herein as Merging Fund Preferred AUnits); and 2,400 preferred shares of beneficial interest, designated Auction Rate Municipal Preferred Shares, Series B, without par value, which will be converted on a one-to-one basis into a class of limited liability company interests of Merging Fund in connection with the Conversion (referred to herein as Merging Fund Preferred B Units, and together with the Merging Fund Preferred A Units, the Merging Fund Preferred Units);

WHEREAS, the Board of Trustees of the Merging Fund, to become the Board of Managers of the Merging Fund in connection with the Conversion, and the Board of Trustees of the Surviving Fund deem it advisable and in the best interests of Merging Fund and Surviving Fund, respectively, and their respective shareholders for Merging Fund to merge with and into Surviving Fund (the Merger) in accordance with Mass. Gen. Laws ch. 156C and pursuant to this Agreement and the Certificate of Merger substantially in the form attached hereto as Annex II and incorporated herein (the Certificate of Merger);

NOW, THEREFORE, in consideration of the premises and the representations, warranties and agreements herein contained, the parties hereto agree that Merging Fund shall be merged with and into Surviving Fund, which shall be the entity surviving the Merger, and that the terms and conditions of the Merger, the mode of carrying it into effect, and the manner of converting interests of Merging Fund shall be as follows:

ARTICLE I. The Merger

Section 1.01. Subject to and in accordance with the provisions of this Agreement, the Certificate of Merger shall be executed and acknowledged by each of Surviving Fund and Merging Fund and thereafter delivered to the Secretary of The Commonwealth of Massachusetts by the Surviving Fund for filing, as provided in Mass Gen. Laws ch. 156C. The Merger shall become effective at such time as the Certificate of Merger are filed by the Secretary of The Commonwealth of Massachusetts or such date, not more than ninety days after submission to the Secretary of The Commonwealth of Massachusetts, as may be specified in the Certificate of Merger (the Effective Time). The Effective Time will be as of the next full business day following the Valuation Time (as defined below), unless otherwise mutually agreed by the parties hereto. At the

Effective Time, the separate existence of Merging Fund shall cease and Merging Fund shall be merged with and into Surviving Fund (Merging Fund and Surviving Fund being sometimes referred to individually herein as a Fund and collectively herein as the Funds).

Section 1.02. At the Effective Time, by virtue of the Merger and without any action on the part of the Funds or the holders of Merging Fund Common Units or Surviving Fund Common Shares, each Merging Fund Common Unit issued and outstanding immediately prior to the Merger shall be converted into a number of shares of Surviving Fund Common Shares equal to the Merging Fund Exchange Ratio (as defined below), which Surviving Fund Common Shares thereupon shall be issued, fully paid and non-assessable, except as set forth in the Registration Statement (as defined below) (the Common Merger Shares). The Merging Fund Exchange Ratio shall be equal to a fraction, the numerator of which shall be the net asset value per share of the Surviving Fund Common Shares at the Valuation Time and the denominator of which shall be the net asset value per Merging Fund Common Unit at the Valuation Time. The Valuation Time shall be 4:00 p.m. Eastern Time on October 19, 2007 or such other date as mutually agreed by the parties hereto.

Section 1.03. At the Effective Time, by virtue of the Merger and without any action on the part of the Funds or the holders of Merging Fund Preferred Units or Surviving Fund Preferred Shares, each Merging Fund Preferred Unit issued and outstanding immediately prior to the Merger shall be converted into a number of shares of Surviving Fund Preferred Shares having an aggregate liquidation preference equal to the aggregate liquidation preference of such Merging Fund Preferred Unit at the Valuation Time, which Surviving Fund Preferred Shares shall be issued, fully paid and non-assessable (the Preferred Merger Shares, and together with the Common Merger Shares, the Merger Shares).

Holders of Merging Fund Preferred A Units will receive one Surviving Fund Preferred A Share for each Merging Fund Preferred A Units they hold at the Valuation Time. Holders of Merging Fund Preferred B Units will receive one Surviving Fund Preferred B Share for each Merging Fund Preferred B Unit they hold at Valuation Time.

Section 1.04. On the next full business day following the Valuation Time or otherwise as promptly as practicable after the Valuation Time, an account on the share records of the Surviving Fund will be established in the name of each record holder of the Merging Fund as of the Effective Time representing the number of full and fractional Merger Shares due the shareholder.

ARTICLE II.

Representations and Warranties of Surviving Fund

Section 2.01. Surviving Fund represents and warrants to and agrees with Merging Fund that:

(a) Surviving Fund is a business trust duly established and validly existing under the laws of The Commonwealth of Massachusetts and has power to own all of its property and assets and to carry out its obligations under this Agreement.

Surviving Fund is not required to qualify as a foreign association in any jurisdiction. Surviving Fund has all necessary federal, state and local authorizations to carry on its business as now being conducted and to carry out this Agreement.

(b) Surviving Fund is registered under the Investment Company Act of 1940, as amended (the 1940 Act), as a closed-end management investment company, and such registration has not been revoked or rescinded and is in full force and effect.

(c) A statement of assets and liabilities, statement of operations, statement of changes in net assets and schedule of investments (indicating their market values) of Surviving Fund for the fiscal year ended April 30, 2007, audited by PricewaterhouseCoopers LLP, the Surviving Fund's independent registered public accounting firm, have been furnished to Merging Fund. The statement of assets and liabilities and the schedule of investments fairly present the financial position of Surviving Fund as of the date thereof, and the statement of operations and changes in net assets fairly reflect the results of its operations and changes in net assets for the period covered thereby in conformity with U.S. generally accepted accounting principles.

(d) There are no material legal, administrative or other proceedings pending or, to the knowledge of Surviving Fund, threatened against Surviving Fund which assert liability or which may, if successfully prosecuted to their conclusion, result in liability on the part of Surviving Fund, other than as have been disclosed in the Registration Statement (as defined below) or otherwise disclosed in writing to Merging Fund.

(e) Surviving Fund has no known liabilities of a material nature, contingent or otherwise, other than those shown as belonging to it on its statement of assets and liabilities as of April 30, 2007 and those incurred in the ordinary course of

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Surviving Fund's business as an investment company since that date.

(f) No consent, approval, authorization or order of any court or governmental authority is required for the consummation by Surviving Fund of the transactions contemplated by this Agreement, except such as may be required under the Securities Act of 1933, as amended (the "1933 Act"), the Securities Exchange Act of 1934, as amended (the "1934 Act"), the 1940 Act, state securities or blue sky laws (which term as used herein will include the laws of the District of Columbia and of Puerto Rico) or the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the "H-S-R Act").

(g) The registration statement and any amendment thereto (including any post-effective amendment) (the "Registration Statement") filed with the Securities and Exchange Commission (the "Commission") by Surviving Fund on Form N-14 relating to the Merger Shares issuable hereunder, the proxy statement of Merging Fund and Surviving Fund included therein (the "Proxy Statement"), as of the effective date of the Registration Statement, (i) comply in all material respects with the provisions of the 1933 Act, the 1934 Act and the 1940 Act and the rules and regulations thereunder and (ii) do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and at the time of the shareholders' meeting referred to in Section 6.01 and at the Effective Time, the prospectus contained in the Registration Statement (the "Prospectus"), as amended or supplemented by any amendments or supplements filed or requested to be filed with the Commission, will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; provided, however, that none of the representations and warranties in this subsection will apply to statements in or omissions from the Registration Statement, the Prospectus or the Proxy Statement made in reliance upon and in conformity with information furnished by Merging Fund for use in the Registration Statement, the Prospectus or the Proxy Statement.

(h) There are no material contracts outstanding to which Surviving Fund is a party, other than as disclosed in the Registration Statement.

(i) All of the issued and outstanding shares of beneficial interest of Surviving Fund have been offered for sale and sold in material conformity with all applicable federal securities laws.

(j) Surviving Fund is and will at all times through the Effective Time qualify for taxation as a regulated investment company under Sections 851 and 852 of the Code.

(k) Surviving Fund has filed or will file all federal and state tax returns which, to the knowledge of Surviving Fund's officers, are required to be filed by Surviving Fund and has paid or will pay all federal and state taxes shown to be due on said returns or on any assessments received by Surviving Fund. All tax liabilities of Surviving Fund have been adequately provided for on its books, and to the knowledge of Surviving Fund, no tax deficiency or liability of Surviving Fund has been asserted, and no question with respect thereto has been raised, by the Internal Revenue Service or by any state or local tax authority for taxes in excess of those already paid. As of the Effective Time, Surviving Fund is not under audit by the Internal Revenue Service or by any state or local tax authority for taxes in excess of those already paid.

(l) The conversion of Merging Fund Common Units and Merging Fund Preferred Units to the Common Merger Shares and Preferred Merger Shares, respectively, pursuant to this Agreement will be in compliance with all applicable federal securities laws.

(m) The Merger Shares have been duly authorized and, when issued and delivered pursuant to this Agreement, will be legally and validly issued and will be fully paid and non-assessable by Surviving Fund (except as set forth in the Registration Statement), and no shareholder of Surviving Fund will have any preemptive right of subscription or purchase in respect thereof.

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ARTICLE III.

Representations and Warranties of Merging Fund

Section 3.01. Merging Fund represents and warrants to and agrees with Surviving Fund that:

(a) Merging Fund is a business trust duly established and validly existing under the laws of The Commonwealth of Massachusetts and has power to own all of its property and assets and to carry out its obligations under this Agreement and will take the steps necessary to convert into a limited liability under the applicable provisions in Mass. Gen. Laws ch. 156C prior to the Effective Time. As of the Effective Time, Merging Fund will be a limited liability company duly established and validly existing under the laws of The Commonwealth of Massachusetts. Merging Fund is not required to qualify as a foreign association in any jurisdiction. Merging Fund has all necessary federal, state and local authorizations to carry on its business as now being conducted and to carry out this Agreement.

(b) Merging Fund is registered under the 1940 Act as a closed-end management investment company, and such registration has not been revoked or rescinded and is in full force and effect.

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(c) A statement of assets and liabilities, statement of operations, statement of changes in net assets and schedule of investments (indicating their market values) of Merging Fund for the fiscal year ended April 30, 2007, audited by PricewaterhouseCoopers LLP, the Merging Fund's independent registered public accounting firm, have been furnished to Surviving Fund. The statement of assets and liabilities and the schedule of investments fairly present the financial position of Merging Fund as of the date thereof, and the statement of operations and changes in net assets fairly reflect the results of its operations and changes in net assets for the period covered thereby in conformity with U.S. generally accepted accounting principles.

(d) There are no material legal, administrative or other proceedings pending or, to the knowledge of Merging Fund, threatened against Merging Fund which assert liability or which may, if successfully prosecuted to their conclusion, result in liability on the part of Merging Fund, other than as have been disclosed in the Registration Statement or otherwise disclosed in writing to the Surviving Fund.

(e) Merging Fund has no known liabilities of a material nature, contingent or otherwise, other than those shown as belonging to it on its statement of assets and liabilities as of April 30, 2007 and those incurred in the ordinary course of Merging Fund's business as an investment company since such date. Before the Effective Time, Merging Fund will advise Surviving Fund of all material liabilities, contingent or otherwise, incurred by it subsequent to April 30, 2007, whether or not incurred in the ordinary course of business.

(f) No consent, approval, authorization or order of any court or governmental authority is required for the consummation by Merging Fund of the transactions contemplated by this Agreement, except such as may be required under the 1933 Act, the 1934 Act, the 1940 Act, state securities or blue sky laws or the H-S-R Act.

(g) The Registration Statement, the Prospectus and the Proxy Statement, as of the effective date of the Registration Statement and insofar as they do not relate to Surviving Fund (i) comply in all material respects with the provisions of the 1933 Act, the 1934 Act and the 1940 Act and the rules and regulations thereunder and (ii) do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and at the time of the shareholder meeting referred to in Section 6.01 below and on the Effective Time, the Prospectus, as amended or supplemented by any amendments or supplements filed or requested to be filed with the Commission, will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; provided, however, that the representations and warranties in this subsection will apply only to statements of fact or omissions of statements of fact relating to Merging Fund contained in the Registration Statement, the Prospectus or the Proxy Statement, as such Registration Statement, Prospectus and Proxy Statement shall have been furnished to Merging Fund in definitive form as soon as practicable following effectiveness of the Registration Statement and before any public distribution of the Prospectus or Proxy Statement.

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(h) All of the issued shares of beneficial interest of Merging Fund that will be converted into Merging Fund Common Units and Merging Fund Preferred Units prior to the Effective Time have been offered for sale and sold in material conformity with all applicable federal securities laws.

(i) Merging Fund is and will at all times through the Effective Time qualify for taxation as a regulated investment company under Sections 851 and 852 of the Code.

(j) Merging Fund has filed or will file all federal and state tax returns which, to the knowledge of Merging Fund's officers, are required to be filed by Merging Fund and has paid or will pay all federal and state taxes shown to be due on said returns or on any assessments received by Merging Fund. All tax liabilities of Merging Fund have been adequately provided for on its books, and to the knowledge of Merging Fund, no tax deficiency or liability of Merging Fund has been asserted, and no question with respect thereto has been raised, by the Internal Revenue Service or by any state or local tax authority for taxes in excess of those already paid. As of the Effective Time, Merging Fund is not under audit by the Internal Revenue Service or by any state or local tax authority for taxes in excess of those already paid.

(k) At both the Valuation Time and the Effective Time, Merging Fund will have full right, power and authority to merge with Surviving Fund pursuant to this Agreement. At the Effective Time, the property and liabilities of the Merging Fund will vest in the Surviving Fund subject to no encumbrances, liens or security interests whatsoever and without any restrictions upon the transfer thereof (except as previously disclosed to Surviving Fund by Merging Fund). As used in this Agreement, the term Investments means Merging Fund's investments shown on the schedule of its investments as of April 30, 2007 referred to in Section 3.01(c) hereof, as supplemented with such changes as Merging Fund makes and changes resulting from stock dividends, stock splits, mergers and similar corporate actions.

(l) No registration under the 1933 Act of any of the Investments would be required if they were, as of the Effective Time, the subject of a public distribution by either of Surviving Fund or Merging Fund, except as previously disclosed to Surviving Fund by Merging Fund.

ARTICLE IV. Exchange of Shares

Section 4.01. Shareholders of certificated Merging Fund Common Units will receive certificates representing the number of Common Merger Shares due the shareholder upon surrender of their Merging Fund certificates (Certificates) in accordance with this Agreement. Shareholders of Merging Fund who do not surrender their Certificates by the Valuation Time will not be permitted to receive cash dividends or other distributions, transfer any Common Merger Shares or pledge any Common Merger Shares until such Certificates have been surrendered, or, in the case of lost Certificates, until an adequate surety bond has been posted. If the Common Merger Shares are to be issued to any person other than the person in whose name the Certificate(s) so surrendered in exchange therefore are registered, it shall be a condition to such exchange that the Certificate(s) so surrendered shall be properly endorsed or otherwise be in proper form for transfer and that the person requesting such exchange shall pay to the Surviving Fund any transfer or other taxes required by reason of the payment of such consideration to a person other than the registered holder of the Certificate(s) surrendered, or shall establish to the reasonable satisfaction of the Surviving Fund that such tax has been paid or is not applicable.

Section 4.02. With respect to uncertificated Merging Fund Common Units and Merging Fund Preferred Units, the record owner of such limited liability company interests on the books and records of the Fund s transfer agent as of the Valuation Time shall be entitled to receive on the Effective Time Preferred Common Shares and Preferred Merger Shares, respectively, in accordance with this Agreement.

**ARTICLE V.
Expenses, Fees, Etc.**

Section 5.01. All fees and expenses, including legal and accounting expenses, portfolio transfer taxes (if any) or other similar expenses incurred in connection with the consummation by Merging Fund and Surviving Fund of the transactions contemplated by this Agreement will be allocated ratably between Merging Fund and Surviving Fund in proportion to their net assets as of the Valuation Time, except that (i) the costs of proxy materials and proxy solicitation for each Fund will be borne by that Fund (except the costs of SEC filings will be borne by Surviving Fund only), and (ii) the costs of repositioning the portfolio of Merging Fund to reflect the investment policies of Surviving Fund incurred prior to the Effective

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Time shall be borne by Merging Fund; provided, however, that such expenses will in any event be paid by the party directly incurring such expenses if and to the extent that the payment by the other party of such expenses would result in the disqualification of Surviving Fund or Merging Fund, as the case may be, as a regulated investment company within the meaning of Section 851 of the Code.

Section 5.02. In the event the transactions contemplated by this Agreement are not consummated by reason of (i) Surviving Fund s being either unwilling or unable to go forward (other than by reason of the non-fulfillment or failure of any condition to Surviving Fund s obligations referred to in Article VII) or (ii) the non-fulfillment or failure of any condition to Merging Fund s obligations referred to in Article VIII, Surviving Fund will pay directly all reasonable fees and expenses incurred by Merging Fund in connection with such transactions, including, without limitation, legal, accounting and filing fees.

Section 5.03. In the event the transactions contemplated by this Agreement are not consummated by reason of (i) Merging Fund s being either unwilling or unable to go forward (other than by reason of the non-fulfillment or failure of any condition to Merging Fund s obligations referred to in Article VIII) or (ii) the non-fulfillment or failure of any condition to Surviving Fund s obligations referred to in Article VII, Merging Fund will pay directly all reasonable fees and expenses incurred by Surviving Fund in connection with such transactions, including without limitation legal, accounting and filing fees.

Section 5.04. In the event the transactions contemplated by this Agreement are not consummated for any reason other than (i) Surviving Fund s or Merging Fund s being either unwilling or unable to go forward or (ii) the non-fulfillment or failure of any condition to Surviving Fund s or Merging Fund s obligations referred to in Article VII or Article VIII of this Agreement, then each of Surviving Fund and Merging Fund will bear all of its own expenses incurred in connection with such transactions.

Section 5.05. Notwithstanding any other provisions of this Agreement, if for any reason the transactions contemplated by this Agreement are not consummated, no party will be liable to the other party for any damages resulting therefrom, including without limitation consequential damages, except as specifically set forth above.

**ARTICLE VI.
Meeting of Shareholders**

Section 6.01. Each of Surviving Fund and Merging Fund agrees to call a meeting of its shareholders as soon as is advisable in the discretion of the applicable Fund's Board of Trustees after the effective date of the Registration Statement for, among other things, the purpose of considering the matters contemplated by this Agreement.

Section 6.02. Surviving Fund has, after the preparation and delivery to it by Merging Fund of a preliminary version of the Proxy Statement which was satisfactory to Surviving Fund and to Ropes & Gray LLP for inclusion in the Registration Statement, filed the Registration Statement with the Commission. Each of Merging Fund and Surviving Fund will cooperate with the other, and each will furnish to the other the information relating to itself required by the 1933 Act, the 1934 Act and the 1940 Act and the rules and regulations thereunder to be set forth in the Registration Statement, including the Prospectus and the Proxy Statement.

ARTICLE VII.

Conditions to Surviving Fund's Obligations

Section 7.01. The obligations of Surviving Fund hereunder are subject to the following conditions: (a) That this Agreement will have been adopted and the transactions contemplated hereby will have been approved by the affirmative vote of (i) at least two-thirds of the Trustees of Merging Fund (including a majority of those Trustees who are not interested persons of Merging Fund, as defined in Section 2(a)(19) of the 1940 Act), (ii) holders of a majority of the outstanding limited liability company interests of Merging Fund entitled to vote on the Merger, each class voting separately, (iii) at least two-thirds of the Trustees of Surviving Fund (including a majority of those Trustees who are not interested persons of Surviving Fund, as defined in Section 2(a)(19) of the 1940 Act), and (iv) holders of a majority of the outstanding shares of Surviving Fund entitled to vote on the Merger, voting together.

(b) That Merging Fund will have furnished to Surviving Fund a statement of Merging Fund's net assets, with values determined as provided in Section 1.02 of this Agreement, together with a list of Investments with their respective tax costs, all as of the Valuation Time, certified on Merging Fund's behalf by Merging Fund's President (or

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any Executive Vice President or Vice President) and Treasurer (or any Associate Treasurer or Assistant Treasurer) and a certificate of both such officers, dated as of the Effective Time, to the effect that as of the Valuation Time and as of the Effective Date there has been no material adverse change in the financial position of Merging Fund since April 30, 2007 other than changes in the Investments and other assets and properties since that date or changes in the market value of the Investments and other assets of Merging Fund or changes due to dividends paid or losses from operations.

(c) That Merging Fund will have furnished to Surviving Fund a statement, dated as of the Effective Time, signed on behalf of Merging Fund by Merging Fund's President (or any Executive Vice President or Vice President) and Treasurer (or any Associate Treasurer or Assistant Treasurer) certifying that as of the Valuation Time and as of the Effective Time all representations and warranties of Merging Fund made in this Agreement are true and correct in all material respects as if made at and as of such dates, and that Merging Fund has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied at or before each of such dates.

(d) That Merging Fund will have delivered to Surviving Fund an agreed upon procedures letter from PricewaterhouseCoopers LLP dated as of the Effective Time, setting forth findings of PricewaterhouseCoopers LLP pursuant to its performance of the agreed upon procedures set forth therein relating to management's assertions that Merging Fund, (i) for the taxable period from April 30, 2007 to the Effective Time, qualified as a regulated investment company under the Code, (ii) as of the Effective Time, has no liability other than liabilities stated for federal or state income taxes and (iii) as of the Effective Time, has no liability for federal excise tax purposes under section 4982 of the Code.

(e) That there will not be any material litigation pending with respect to the matters contemplated by this Agreement.

(f) That Surviving Fund will have received an opinion of Ropes & Gray LLP dated as of the Effective Time, in form satisfactory to Surviving Fund, to the effect that (i) Merging Fund is a limited liability company duly established and validly existing under the laws of The Commonwealth of Massachusetts, and, to the knowledge of such counsel, is not required to qualify to do business as a foreign association in any jurisdiction except as may be required by state securities or blue sky laws, (ii) this Agreement has been duly authorized, executed, and delivered by Merging Fund and, assuming that the Registration Statement, the Prospectus and the Proxy Statement comply with the 1933 Act, the 1934 Act and the 1940 Act and assuming due authorization, execution and delivery of this Agreement by Surviving Fund, is a valid and binding obligation of Merging Fund, (iii) Merging Fund has power to merge with the Surviving Fund as contemplated hereby and, upon consummation of the transactions contemplated hereby in accordance with the terms of this Agreement, the property and liabilities of the Merging Fund will be vested in Surviving Fund, (iv) the execution and delivery of this Agreement did not, and the consummation of the transactions contemplated hereby will not, violate Merging Fund's Certificate of Organization or Operating Agreement or any provision of any agreement known to such counsel to which Merging Fund is a party or by which it is bound, it being understood that with respect to investment restrictions as contained in

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Merging Fund's Certificate of Organization, Operating Agreement, prospectus or the Registration Statement, such counsel may rely upon a certificate of an officer of Merging Fund, (v) no consent, approval, authorization or order of any court or governmental authority is required for the consummation by Merging Fund of the transactions contemplated hereby, except such as have been obtained under the 1933 Act, the 1934 Act, the 1940 Act and such as may be required under state securities or blue sky laws and the H-S-R Act and (vi) such other matters as Surviving Fund may reasonably deem necessary or desirable.

(g) That Surviving Fund will have received an opinion of Ropes & Gray LLP dated as of the Effective Time (which opinion would be based upon certain factual representations and subject to certain qualifications) to the effect that, on the basis of the existing provisions of the Code, current administrative rules and court decisions, for federal income tax purposes: (i) the vesting of all

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of the property and liabilities of the Merging Fund in the Surviving Fund, constitutes a reorganization within the meaning of Section 368(a) of the Code and Merging Fund and Surviving Fund will each be a party to a reorganization within the meaning of Section 368(b) of the Code, (ii) no gain or loss will be recognized by Surviving Fund or its shareholders upon vesting of the Investments in Surviving Fund pursuant to this Agreement, (iii) the basis to Surviving Fund of the Investments will be the same as the basis of the Investments in the hands of Merging Fund immediately prior to the merger, (iv) Surviving Fund's holding periods with respect to the Investments will include the respective periods for which the Investments were held by Merging Fund and (v) Surviving Fund will succeed to and take into account the items of Merging Fund described in Section 381(c) of the Code, subject to the conditions and limitations specified in Sections 381, 382, 383 and 384 of the Code and Regulations thereunder; however, Ropes & Gray LLP will express no view with respect to the effect of the reorganization on any transferred asset as to which any unrealized gain or loss is required to be recognized at the end of a taxable year (or on the termination or transfer thereof) under federal income tax principles.

(h) That the property of Merging Fund to be vested in Surviving Fund pursuant to the Merger will include no assets which Surviving Fund, by reason of charter limitations or investment restrictions disclosed in the Registration Statement in effect on the Effective Time, may not properly hold.

(i) That the Registration Statement will have become effective under the 1933 Act, and no stop order suspending such effectiveness will have been instituted or, to the knowledge of Surviving Fund, threatened by the Commission.

(j) That Surviving Fund will have received from the Commission, any relevant state securities administrator, the Federal Trade Commission (the "FTC") and the Department of Justice (the "Department") such order or orders as Ropes & Gray LLP deems reasonably necessary or desirable under the 1933 Act, the 1934 Act, the 1940 Act, any applicable state securities or blue sky laws and the H-S-R Act in connection with the transactions contemplated hereby and that all such orders will be in full force and effect.

(k) That all actions taken by or on behalf of Merging Fund in connection with the transactions contemplated by this Agreement and all documents incidental thereto will be satisfactory in form and substance to Surviving Fund and Ropes & Gray LLP.

(l) That, before the Effective Time, Merging Fund will have declared a dividend or dividends which, together with all previous such dividends, will have the effect of distributing to the shareholders of Merging Fund (i) all of the excess of (X) Merging Fund's investment income excludable from gross income under Section 103 of the Code over (Y) Merging Fund's deductions disallowed under Sections 265 and 171 of the Code, (ii) all of Merging Fund's investment company taxable income (as defined in Section 852 of the Code) for its taxable years ending on or after April 30, 2007, and on or prior to the Effective Time (computed in each case without regard to any deduction for dividends paid), and (iii) all of its net capital gain realized after reduction by any capital loss carryover in each of its taxable years ending on or after April 30, 2007, and on or prior to the Effective Time.

(m) That Merging Fund's custodian will have delivered to Surviving Fund a certificate identifying all of the assets of Merging Fund held by such custodian as of the Valuation Time.

(n) That Merging Fund's transfer agent will have provided to Surviving Fund (i) the originals or true copies of all of the records of Merging Fund in the possession of such transfer agent as of the Effective Time, (ii) a certificate setting forth the number of shares of Merging Fund outstanding as of the Valuation Time and (iii) the name and address of each holder of record of any such shares and the number of shares held of record by each such shareholder.

(o) That all of the issued and outstanding shares of beneficial interest that will have been converted into Merging Fund Common Units and Merging Fund Preferred Units will have been offered for sale and sold in material conformity with all applicable state securities or blue sky laws and, to the extent that any audit of the records of Merging Fund or its transfer agent by Surviving Fund or its agents will have revealed otherwise, either (i) Merging Fund will have taken all actions that in the opinion of Surviving Fund or its counsel are

necessary to remedy any prior failure on the part of Merging Fund to have offered for sale and sold such shares in conformity with such laws or (ii) Merging Fund will have furnished (or caused to be furnished) surety, or deposited (or caused to be deposited) assets in escrow, for the benefit of Surviving Fund in amounts sufficient and upon terms satisfactory, in the opinion of Surviving Fund or its counsel, to indemnify Surviving Fund against any expense, loss, claim, damage or liability whatsoever that may be asserted or threatened by reason of such failure on the part of Merging Fund to have offered and sold such shares in conformity with such laws.

(p) That Surviving Fund will have received from PricewaterhouseCoopers LLP an agreed upon procedures letter addressed to Surviving Fund dated as of the Effective Time satisfactory in form and substance to Surviving Fund setting forth the findings of PricewaterhouseCoopers LLP pursuant to its performance of the agreed upon procedures set forth therein relating to management's assertion that as of the Valuation Time the value of the assets of Merging Fund to be vested in Surviving Fund has been determined in accordance with the provisions of Article 10, Section 5 of Surviving Fund's Bylaws pursuant to the procedures customarily utilized by Surviving Fund in valuing its assets and issuing its shares.

(q) That Merging Fund will have executed and delivered to Surviving Fund a Certificate of Merger pursuant to which all of the property and liabilities of Merging Fund will be vested in Surviving Fund.

(r) That Standard & Poor's Ratings Group and Moody's Investor Service, Inc. shall have advised Surviving Fund that the consummation of the transactions described in this Agreement will not result in the withdrawal of their current ratings of Surviving Fund's outstanding Surviving Fund Preferred Shares.

(s) That the authorization, creation and issuance of the Preferred Merger Shares shall have been approved by holders of a majority of Surviving Fund's outstanding preferred shares.

(t) That the Common Merger Shares shall have been accepted for listing by the New York Stock Exchange.

ARTICLE VIII.

Conditions to the Merging Fund's Obligations

Section 8.01. The obligations of Merging Fund hereunder will be subject to the following conditions:

(a) That a Plan of Entity Conversion substantially in the form set forth as Annex I will have been adopted and the transactions contemplated hereby will have been approved by the affirmative vote of (i) at least two-thirds of the Trustees of Merging Fund and (ii) holders of a majority of the outstanding shares of Merging Fund entitled to vote on the Conversion, each class voting separately.

(b) That this Agreement will have been adopted and the transactions contemplated hereby will have been approved by the affirmative vote of (i) at least two-thirds of the Trustees of Merging Fund (including a majority of those Trustees who are not interested persons of Merging Fund, as defined in Section 2(a)(19) of the 1940 Act), (ii) holders of a majority of the outstanding limited liability company interests of Merging Fund entitled to vote on the Merger, each class voting separately, (iii) at least two-thirds of the Trustees of Surviving Fund (including a majority of those Trustees who are not interested persons of Surviving Fund, as defined in Section 2(a)(19) of the 1940 Act), and (iv) holders of a majority of the outstanding shares of Surviving Fund entitled to vote on the Merger, voting together.

(c) That Surviving Fund will have furnished to Merging Fund a statement of Surviving Fund's net assets, together with a list of portfolio holdings with values determined as provided in Section 1.02 of this Agreement, all as of the Valuation Time, certified on behalf of Surviving Fund by Surviving Fund's President (or any Executive Vice President or Vice President) and Treasurer (or any Associate Treasurer or Assistant Treasurer) and a certificate of both such officers, dated as of the Effective Time, to the effect that as of the Valuation Time and as of the Effective Time there has been no material adverse change in the financial position of Surviving Fund since April 30, 2007, other than changes in its portfolio securities since that date, changes due to net sales or net redemptions, changes in the market value of its portfolio securities or changes due to dividends paid or losses from operations.

(d) That Surviving Fund will have furnished to Merging Fund a statement, dated the Effective Time, signed on behalf of Surviving Fund by Surviving Fund's President (or any Executive Vice President or Vice President) and Treasurer (or any Associate Treasurer or Assistant Treasurer) certifying that as of the Valuation Time and as of the Effective Time all representations and warranties of Surviving Fund made in this Agreement are true and correct in all material respects as if made at and as of such dates, and that Surviving Fund has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied at or prior to each of such dates.

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(e) That there will not be any material litigation pending or threatened with respect to the matters contemplated by this Agreement.

(f) That Merging Fund will have received an opinion of Ropes & Gray LLP, in form satisfactory to Merging Fund and dated as of the Effective Time, to the effect that (i) Surviving Fund is a business trust duly established and validly existing in conformity with the laws of The Commonwealth of Massachusetts and, to the knowledge of such counsel, is not required to qualify to do business as a foreign association in any jurisdiction except as may be required by state securities or blue sky laws, (ii) this Agreement has been duly authorized, executed and delivered by Surviving Fund and, assuming that the Prospectus, the Registration Statement and the Proxy Statement comply with the 1933 Act, the 1934 Act and the 1940 Act and assuming due authorization, execution and delivery of this Agreement by Merging Fund, is a valid and binding obligation of Surviving Fund, (iii) the Merger Shares are duly authorized and upon conversion will be validly issued and will be fully paid and non-assessable (except as set forth in the Registration Statement) by Surviving Fund and no shareholder of Surviving Fund has any preemptive right to subscription or purchase in respect thereof, (iv) the execution and delivery of this Agreement did not, and the consummation of the transactions contemplated hereby will not, violate Surviving Fund's Agreement and Declaration of Trust, as amended, or Bylaws, or any provision of any agreement known to such counsel to which Surviving Fund is a party or by which it is bound, it being understood that with respect to investment restrictions as contained in Surviving Fund's Agreement and Declaration of Trust, as amended, Bylaws or the Registration Statement, such counsel may rely upon a certificate of an officer of Surviving Fund whose responsibility it is to advise Surviving Fund with respect to such matters, (v) no consent, approval, authorization or order of any court or governmental authority is required for the consummation by Surviving Fund of the transactions contemplated herein, except such as have been obtained under the 1933 Act, the 1934 Act and the 1940 Act and such as may be required under state securities or blue sky laws and the H-S-R Act and (vi) the Registration Statement has become effective under the 1933 Act, and, to the best of the knowledge of such counsel, no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been instituted or are pending or contemplated under the 1933 Act.

(g) That Merging Fund will have received an opinion of Ropes & Gray LLP dated as of the Effective Time (which opinion would be based upon certain factual representations and subject to certain qualifications) to the effect that, on the basis of the existing provisions of the Code, current administrative rules and court decisions, subject to the qualification below, for federal income tax purposes: (i) the vesting in Surviving Fund of all of the property and liabilities of Merging Fund pursuant to the Certificate of Merger, constitutes a reorganization within the meaning of Section 368(a) of the Code and Merging Fund and Surviving Fund will each be a party to a reorganization within the meaning of Section 368(b) of the Code, (ii) no gain or loss will be recognized by Merging Fund upon the vesting of the Investments in Surviving Fund, (iii) no gain or loss will be recognized by the Merging Fund shareholders on the conversion of their shares of the Merging Fund into Merger Shares, (iv) the aggregate basis of the Merger Shares a Merging Fund shareholder receives in connection with the transaction will be the same as the aggregate basis of the Merging Fund shares he or she held immediately prior to the merger and (v) a Merging Fund shareholder's holding period for his or her Merger Shares will be determined by including the period for which he or she held Merging Fund shares that were converted into such Merger Shares, provided that

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the shareholder held Merging Fund's shares as a capital asset; however, Ropes & Gray LLP will express no view with respect to the effect of the reorganization on any transferred asset as to which any unrealized gain or loss is required to be recognized at the end of a taxable year (or on the termination or transfer thereof) under federal income tax principles.

(h) That all actions taken by or on behalf of Surviving Fund in connection with the transactions contemplated by this Agreement and all documents incidental thereto will be satisfactory in form and substance to Merging Fund and Ropes & Gray LLP.

(i) That the Registration Statement will have become effective under the 1933 Act and no stop order suspending such effectiveness will have been instituted or, to the knowledge of Surviving Fund, threatened by the Commission.

(j) That Merging Fund will have received from the Commission, any relevant state securities administrator, the FTC and the Department such order or orders as Ropes & Gray LLP deems reasonably necessary or desirable under the 1933 Act, the 1934 Act, the 1940 Act, any applicable state securities or blue sky laws and the H-S-R Act in connection with the transactions contemplated hereby and that all such orders will be in full force and effect.

(k) That Merging Fund shall have been advised by Standard & Poor's and Moody's Investors Services, Inc. that the Preferred Merger Shares will be rated AAA and Aaa, respectively.

(l) That the Common Merger Shares shall have been accepted for listing by the New York Stock Exchange.

ARTICLE IX. Indemnification

Section 9.01. Merging Fund will indemnify and hold harmless, out of the assets of Merging Fund but no other assets, Surviving Fund, its trustees and its officers (for purposes of this section, the Indemnified Parties) against any and all expenses, losses, claims, damages and liabilities at any time imposed upon or reasonably incurred by any one or more of the Indemnified Parties in connection with, arising out of, or resulting from any claim, action, suit or proceeding in which any one or more of the Indemnified Parties may be involved or with which any one or more of the Indemnified Parties may be threatened by reason of any untrue statement or alleged untrue statement of a material fact relating to Merging Fund contained in the Registration Statement, the Prospectus, the Proxy Statement or any amendment or supplement to any of the foregoing, or arising out of or based upon the omission or alleged omission to state in any of the foregoing a material fact relating to Merging Fund required to be stated therein or necessary to make the statements relating to Merging Fund therein not misleading, including, without limitation, any amounts paid by any one or more of the Indemnified Parties in a reasonable compromise or settlement of any such claim, action, suit or proceeding, or threatened claim, action, suit or proceeding made with the consent of Merging Fund. The Indemnified Parties will notify Merging Fund in writing within ten days after the receipt by any one or more of the Indemnified Parties of any notice of legal process or any suit brought against or claim made against such Indemnified Party as to any matters covered by this Section 9.01. Merging Fund shall be entitled to participate at its own expense in the defense of any claim, action, suit or proceeding covered by this Section 9.01, or, if it so elects, to assume at its expense by counsel satisfactory to the Indemnified Parties the defense of any such claim, action, suit or proceeding, and if Merging Fund elects to assume such defense, the Indemnified Parties will be entitled to participate in the defense of any such claim, action, suit or proceeding at their expense. Merging Fund's obligation under this Section 9.01 to indemnify and hold harmless the Indemnified Parties will constitute a guarantee of payment so that Merging Fund will pay in the first instance any expenses, losses, claims, damages and liabilities required to be paid by it under this Section 9.01 without the necessity of the Indemnified Parties first paying the same.

Section 9.02. Surviving Fund will indemnify and hold harmless, out of the assets of Surviving Fund but no other assets, Merging Fund, its trustees and its officers (for purposes of this section, the Indemnified Parties) against any and all expenses, losses, claims, damages and liabilities at any time imposed upon or reasonably incurred by any one or more of the Indemnified Parties in connection with, arising out of, or resulting from any claim, action, suit or proceeding in which any one or more of the Indemnified Parties may be involved or with which any one or more of the Indemnified Parties may be threatened by reason of any untrue statement or alleged untrue statement of a material fact relating to Surviving Fund contained in

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the Registration Statement, the Prospectus, the Proxy Statement, or any amendment or supplement to any thereof, or arising out of, or based upon, the omission or alleged omission to state in any of the foregoing a material fact relating to Surviving Fund required to be stated therein or necessary to make the statements relating to Surviving Fund therein not misleading, including without limitation any amounts paid by any one or more of the Indemnified Parties in a reasonable compromise or settlement of any such claim, action, suit or proceeding, or threatened claim, action, suit or proceeding made with the consent of Surviving Fund. The Indemnified Parties will notify Surviving Fund in writing within ten days after the receipt by any one or more of the Indemnified Parties of any notice of legal process or any suit brought against or claim made against such Indemnified Party as to any matters covered by this Section 9.02. Surviving Fund shall be entitled to participate at its own expense in the defense of any claim, action, suit or proceeding covered by this Section 9.02, or, if it so elects, to assume at its expense by counsel satisfactory to the Indemnified Parties the defense of any such claim, action, suit or proceeding, and, if Surviving Fund elects to assume such defense, the Indemnified Parties will be entitled to participate in the defense of any such claim, action, suit or proceeding at their own expense. Surviving Fund's obligation under this Section 9.02 to indemnify and hold harmless the Indemnified Parties will constitute a guarantee of payment so that Surviving Fund will pay in the first instance any expenses, losses, claims, damages and liabilities required to be paid by it under this Section 9.02 without the necessity of the Indemnified Parties first paying the same.

ARTICLE X. No Broker

Section 10.01. Each of Merging Fund and Surviving Fund represents that there is no person who has dealt with it who by reason of such dealings is entitled to any broker's or finder's or other similar fee or commission arising out of the transactions contemplated by this Agreement.

ARTICLE XI.

Rule 145

Section 11.01. Pursuant to Rule 145 under the 1933 Act, Surviving Fund will, in connection with the issuance of any Merger Shares to any person who at the time of the transaction contemplated hereby is deemed to be an affiliate of a party to the transaction pursuant to Rule 145(c), cause to be affixed upon any certificates issued to such person a legend as follows:

THE SHARES REPRESENTED BY THIS CERTIFICATE WERE ISSUED IN A TRANSACTION TO WHICH RULE 145 UNDER THE SECURI-

**TIES ACT OF 1933, AS AMENDED, APPLIES.
THE SHARES REPRESENTED BY THIS CER-
TIFICATE MAY ONLY BE TRANSFERRED IN
ACCORDANCE WITH SUCH RULE.**

and, further, Surviving Fund will issue stop transfer instructions to Surviving Fund's transfer agent with respect to such shares. Merging Fund will provide Surviving Fund on the Effective Time with the name of any Merging Fund shareholder who is to the knowledge of Merging Fund an affiliate of Merging Fund on such date.

**ARTICLE XII.
Covenants, Etc. Deemed Material**

Section 12.01. All covenants, agreements, representations and warranties made under this Agreement and any certificates delivered pursuant to this Agreement will be deemed to have been material and relied upon by each of the parties, notwithstanding any investigation made by them or on their behalf.

**ARTICLE XIII.
Sole Agreement**

Section 13.01. This Agreement supersedes all previous correspondence and oral communications between the parties regarding the subject matter hereof, constitutes the only understanding with respect to such subject matter, may not be changed except by a letter of agreement signed by each party hereto and will be construed in accordance with and governed by the laws of The Commonwealth of Massachusetts.

**ARTICLE XIV.
Agreement and Declaration of Trust**

Section 14.01. Copies of the Agreements and Declaration of Trust, as amended, of Surviving Fund and Merging Fund (prior to the Conversion) are on file with the Secretary of The Commonwealth of Massachusetts, and notice is hereby given that this instrument is executed on behalf of the Trustees of each of Surviving Fund and Merging Fund, respectively, as Trustees and not individually and that the obligations of this instrument are not binding upon any of the Trustees, officers or shareholders of Surviving Fund or Merging Fund individually but are binding only upon the assets and property of Surviving Fund and Merging Fund, respectively.

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**ARTICLE XV.
Amendment and Termination**

Section 15.01. The parties hereto by mutual consent of their respective Boards of Trustees and Managers, as applicable, may amend, modify or supplement this Agreement in such manner as may be agreed upon by them in writing, at any time prior to the Effective Time, including after it is approved by shareholders of the Merging Fund or Surviving Fund, to the extent permitted by applicable law.

Section 15.02. This Agreement may be terminated and the Merger and other transactions herein provided for abandoned at any time, whether before or after approval of this Agreement by the shareholders of the Merging Fund, by action of the Board of Managers or Board of Trustees of either Fund, as applicable, if the applicable Board for such Fund determines for any reason that the consummation of the transactions provided for herein would for any reason be inadvisable or not in the best interests of such Fund or its shareholders.

**ARTICLE XVI.
Effective Time of the Merger**

Section 16.01. Subject to the authority to terminate this Agreement as set forth in Section 16.02 hereof, each Fund shall do all such acts and things as shall be necessary or desirable in order to make the Effective Time occur on October 22, 2007 or such other date as mutually agreed by the Funds.

**ARTICLE XVII.
Miscellaneous**

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Section 17.01. This Agreement may be executed in counterparts, each of which when so executed shall be deemed to be an original, and such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, Surviving Fund and Merging Fund, pursuant to approval and authorization duly given by resolutions adopted by their respective Boards of Managers and Trustees, as applicable, have each caused this Agreement and Plan of Merger to be executed as of the date first written above by its President or Executive Vice President or Treasurer or Associate Treasurer or Assistant Treasurer.

**PUTNAM MUNICIPAL
OPPORTUNITIES TRUST**

By: _____

Name:

Title:

PUTNAM MUNICIPAL BOND FUND

By: _____

Name:

Title:

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**Annex I: Form of Plan of
Entity Conversion**

See Appendix A

**Annex II: Form of Certificate
of Merger**

THE COMMONWEALTH OF MASSACHUSETTS

William Francis Galvin

Secretary of the Commonwealth

One Ashburton Place,
Boston, Massachusetts 02108-1512

Certificate of Merger
(General Laws Chapter 156C, Section 61)

(1) Exact name of each limited liability company or other entity involved in the merger and jurisdiction of formation or organization:

Putnam Municipal Bond Fund LLC,
a Massachusetts limited liability company

Putnam Municipal Opportunities Trust,
a Massachusetts business trust

(2) An Agreement and Plan of Merger between Putnam Municipal Bond Fund LLC and Putnam Municipal Opportunities Trust (the Plan of Merger) has been approved and executed by each of Putnam Municipal Bond Fund LLC and Putnam Municipal Opportunities Trust.

(3) Exact name of the surviving entity: **Putnam Municipal Opportunities Trust**

(4) The future date or time of the merger if not effective upon the filing of the Certificate of Merger with the office of the Secretary of the Commonwealth: _____.

(5) The Plan of Merger is on file at the offices of Putnam Municipal Opportunities Trust, One Post Office Square, Boston, Massachusetts 02109.

(6) A copy of the Plan of Merger will be furnished by Putnam Municipal Opportunities Trust, upon request and without cost, to any member of Putnam Municipal Bond Fund LLC or any person holding an interest in Putnam Municipal Opportunities Trust.

Executed on _____, 2007

By: _____

Name:

Authorized Signatory

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APPENDIX C

INFORMATION ABOUT THE FUNDS PREFERRED SHARES

Except as noted below, the terms of each fund's outstanding preferred shares and the Preferred Merger Shares (collectively, the Preferred Shares) are substantially similar. Accordingly, unless otherwise noted, the following description of the Preferred Shares of Municipal Opportunities Trust applies equally to the Preferred Shares of Investment Grade Municipal Trust and Municipal Bond Fund. This description does not purport to be complete and is subject to and qualified in its entirety by reference to each fund's Bylaws. A copy of each fund's Bylaws have been filed as exhibits to the Registration Statement of which this Prospectus/Proxy Statement is a part and may be inspected, and copies thereof may be obtained from the Securities and Exchange Commission, as described on page 3 of the Prospectus/Proxy Statement. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Prospectus/Proxy Statement or the Glossary that begins on page C-24.

Comparison of the outstanding Preferred Shares of Municipal Opportunities Trust and the outstanding Preferred Shares of Municipal Bond Fund

As noted above, the terms of the outstanding Preferred Shares of each Merging Fund and the terms of the outstanding Preferred Shares of Municipal Opportunities Trust are substantially similar. There are, however, certain material differences.

First, the Preferred Shares of Municipal Opportunities Trust are remarketed preferred shares, which are bought and sold in accordance with the remarketing procedures set forth in this Appendix C. The dividend rates for each series of Preferred Shares of Municipal Opportunities Trust are determined by the remarketing procedures as well. The Preferred Shares of Municipal Bond Fund, however, are auction rate municipal securities, which are bought and sold at a periodic auction in which orders are submitted to a broker-dealer that has entered into a separate agreement with the auction agent and the fund (Broker-Dealer) or to a broker-dealer that has an agreement with a Broker-Dealer (the Auction Procedures). The dividend periods and dividend rates for each series of Municipal Bond Fund's Preferred Shares are set in accordance with the Auction Procedures. A description of the Auction Procedures is set forth in Exhibit C-3. Only the remarketing procedures will be used upon consummation of the proposed merger of Municipal Bond Fund with and into Municipal Opportunities Trust.

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Second, unless a higher percentage is provided for under Municipal Bond Fund's Agreement and Declaration of Trust, the Bylaws of Municipal Bond Fund requires the affirmative vote of the holders of a majority of the outstanding Preferred Shares, voting together as a single class, to approve any plan of reorganization (including bankruptcy proceedings) adversely affecting such shares. The Bylaws of Municipal Opportunities Trust do not include a similar provision.

Comparison of the outstanding Preferred Shares of Municipal Opportunities Trust and the outstanding Preferred Shares of Investment Grade Municipal Trust

As noted above, the terms of the outstanding Preferred Shares of each Merging Fund and the terms of the outstanding Preferred Shares of Municipal Opportunities Trust are substantially similar. There are, however, certain material differences.

First, if a beneficial owner of Preferred Shares of Municipal Opportunities Trust fails to make an election in connection with a Remarketing by 12:00 noon on the Remarketing Date, he will be deemed to have tendered such shares if the current Dividend Period or the succeeding Dividend Period is a Special Dividend Period of more than 60 days. In the case of Investment Grade Municipal Trust, however, if a beneficial owner of Preferred Shares fails to make an election in connection with a Remarketing by 1:00 p.m. on the Remarketing Date, he will be deemed to have tendered such shares if the current Dividend Period or the succeeding Dividend Period is a Special Dividend Period of any length of time.

Second, the Applicable Dividend Rate for any Dividend Period commencing during any Non-Payment Period, and the rate used to calculate any applicable late charge, will generally be 200% of the Reference Rate for Municipal Opportunities Trust and Investment Grade Municipal Trust; however, the applicable rate for Municipal Opportunities Trust will be 275% of the Reference Rate if the fund has provided a Tax Notification to the Remarketing Agent with respect to that Dividend Period.

Third, each Dividend Period that commences during a Non-Payment Period shall be (i) a 28-day Dividend Period in the case of outstanding Series A Preferred Shares of Municipal Opportunities Trust and (ii) a 7-day Dividend Period in the case of outstanding

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Series B Preferred Shares and Series C Preferred Shares of Municipal Opportunities Trust and outstanding Preferred Shares of Investment Grade Municipal Trust. References herein to Series A Preferred Shares, Series B Preferred Shares and Series C Preferred Shares shall be deemed to refer, as applicable, to the respective series of Preferred Shares of Municipal Opportunities Trust.

Fourth, in the case of the outstanding Preferred Shares of Municipal Opportunities Trust, the discretion of the Remarketing Agent to waive a beneficial owner's election to hold Preferred Shares in connection with a Remarketing is contingent on the Remarketing Agent's being able to remarket all shares tendered to it in such Remarketing. In the case of Investment Grade Municipal Trust, the Remarketing Agent's discretion to waive a beneficial owner's election to hold Preferred Shares is not contingent on the Remarketing Agent's ability to remarket all tendered shares. Investment Grade Municipal Trust, however, may only waive such beneficial owner's election prior to 4:00 p.m. on the date which the Remarketing Agent determines the Applicable Dividend Rate for the ensuing Dividend Period, notifies holders, tendering holders and purchasers of the results of the Remarketing and announces the Applicable Dividend Rate (the Dividend Reset Date).

Fifth, with respect to an optional redemption, Municipal Opportunities Trust must provide notice to the Paying Agent, the Securities Depository (and any other holder) and the Remarketing Agents not less than 20 nor more than 30 days prior to the earliest date the redemption may occur, whereas Investment Grade Municipal Trust must provide such notice on (i) the Settlement Date in the case of partial redemption, (ii) the Tender Date in the case of a whole redemption, or (iii) the later of the Dividend Payment Date and the seventh day prior to the earliest date such redemption may occur during a Non-Payment Period. With respect to a mandatory redemption, Municipal Opportunities Trust must provide notice to the Paying Agent, the Securities Depository (and any other holder) and the Remarketing Agents not less than 20 nor more than 30 days prior to the redemption date established by the Trustees, whereas Investment Grade Municipal Trust must provide such notice on the third business day preceding the redemption date established by the Trustees.

Sixth, holders of Preferred Shares of Municipal Opportunities Trust as of 12:00 noon on the Business Day preceding the applicable Dividend Payment Date shall be entitled to receive dividends at the Applicable Dividend Rate, whereas holders of Preferred Shares of Investment Grade Municipal Trust as of 5:00 p.m. on the date preceding the Dividend Payment Date shall be entitled to such dividends.

Seventh, no dividends on any series of Preferred Shares of Municipal Opportunities Trust shall be paid or declared if there shall exist a Non-Payment Period with respect to any other series of Preferred Shares of Municipal Opportunities Trust, unless dividends in ratable proportion are declared and paid on the other series. The Bylaws of Investment Grade Municipal Trust do not contain a similar provision.

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Eighth, Municipal Opportunities Trust calculates the amount of declared dividends payable on a Dividend Payment Date during a Long Term Dividend Period using a different formula than the one used by the fund to calculate the amount of declared dividends payable on any Dividend Payment Date during a 28-day Dividend Period, 7-day Dividend Period or Special Dividend Period. Investment Grade Municipal Trust calculates all declared dividends payable on a Dividend Payment Date using the formula that Municipal Opportunities Trust uses to calculate declared dividends payable during a 28-day Dividend Period, 7-day Dividend Period or Special Dividend Period. See Dividends and Dividend Periods below.

Ninth, Municipal Opportunities Trust, upon proper notice and the payment of a late charge, may pay a declared dividend or redemption price within three Business Days of the due date without triggering the Non-Payment Period Rate only if the fund is prevented from paying the declared dividend or redemption price by the fund's Bylaws or applicable law. The Bylaws of Investment Grade Municipal Trust's Bylaws allow the fund to pay a declared dividend or redemption price within three Business Days of the due date without triggering the Non-Payment Period Rate for any reason.

Tenth, beneficial owners of Series A Preferred Shares of Investment Grade Municipal Trust may exchange their Series A Preferred Shares for Series I Preferred Shares of Investment Grade Municipal Trust in certain circumstances. Municipal Opportunities Trust does not offer Series I Preferred Shares.

Eleventh, Investment Grade Municipal Trust's procedures for designating a Special Dividend Period differ from those used by Municipal Opportunities Trust, and unlike Municipal Opportunities Trust, Investment Grade Municipal Trust may designate a Special

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Dividend Period without receiving a Response from the Remarketing Agents that such designation is advisable.

Twelfth, Municipal Opportunities Trust must effect a Mandatory Redemption not later than 35 days after a Cure Date if the fund fails to maintain S&P Eligible Assets and Moody's Eligible Assets with an aggregate Discounted Value at least equal to the Preferred Shares Basic Maintenance Amount and the 1940 Act Preferred Shares Asset Coverage by such Cure Date. Investment Grade Municipal Trust has 45 days after the Cure Date to effect a Mandatory Redemption.

Thirteenth, holders of Preferred Shares of each fund are entitled to elect a majority of such fund's Board of Trustees if accumulated dividends on the outstanding Preferred Shares equal to at least two full years' dividends are due and unpaid and sufficient cash or securities have not been deposited with the Paying Agent for the payment of such accumulated dividends. For Municipal Opportunities Trust, the right to elect a majority of the Board is subject to continuing review (i.e., if uncovered accumulated dividends equal at least two full years' dividends at any time). In the case of Investment Grade Municipal Trust, the right to elect a majority of such fund's Board is evaluated at the close of business on any Dividend Payment Date.

Fourteenth, if Municipal Opportunities Trust has Moody's Eligible Assets with a Discounted Value that exceeds the Preferred Shares Basic Maintenance Amount by not more than 5% on any Valuation Date, the fund's investment adviser is prohibited from altering the composition of the fund's portfolio unless it determines that such action will not cause the fund to have Moody's Eligible Assets with a Discounted Value less than the Preferred Shares Basic Maintenance Amount. The Bylaws of Investment Grade Municipal Trust do not contain such a limitation.

Fifteenth, each fund's ability to engage in certain transactions is limited unless the fund receives confirmation from Moody's and S&P that such action would not impair the ratings then assigned to the fund. Municipal Opportunities Trust (but not Investment Grade Municipal Trust) may not lend portfolio securities, designate a new Pricing Service, engage in any short sales, merge or consolidate with any other entity, engage in reverse repurchase agreements or issue a class or series of shares of beneficial interest ranking prior to or on parity with the Preferred Shares with respect to the payment of dividends or the distribution of assets on liquidation without receiving confirmation from Moody's and S&P that such action would not impair the ratings then assigned to the fund. In addition, the restrictions on Municipal Opportunities Trust's ability to borrow money without receiving such confirmation from Moody's and S&P differs from the restrictions on Investment Grade Municipal Trust's ability to borrow money. See Rating Agency Guidelines.

Sixteenth, although each fund must give Moody's and S&P written notice of certain events, the events triggering notification differ. Municipal Opportunities Trust must provide notice if there is any change in the fund's Agreement and Declaration of Trust or Article 12 (Shares of Beneficial Interest) of the fund's Bylaws or if Putnam Management is no longer the investment adviser of the fund. Investment Grade Municipal Trust, on the other hand, must only provide notice if there is a material change in the fund's Agreement and Declaration of Trust or Article 12 (Shares of Beneficial Interest) of the fund's Bylaws. In addition, unlike Municipal Opportunities Trust, Investment Grade Municipal Trust must provide notice if there is a change in dividend period or a change in the Pricing Service.

Seventeenth, each Remarketing for Municipal Opportunities Trust takes place over a two-Business Day period consisting of the Remarketing Date and the Settlement Date, whereas each Remarketing for Investment Grade Municipal Trust occurs over a three-Business Day period

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consisting of the date on which each holder of Preferred Shares must provide to the Remarketing Agent irrevocable telephonic notice of intent to tender shares in a Remarketing and such Remarketing formally commences (the Tender Date), the Dividend Reset Date and the first Business Day after a Dividend Reset Date applicable to Preferred Shares. In the case of Municipal Opportunities Trust, the Remarketing Agents will provide non-binding indications of the Applicable Dividend Rate for the next succeeding Dividend Period by 9 a.m. on the Remarketing Date and will determine the Applicable Dividend Rate for the next Dividend Period by 3:00 p.m. on the Remarketing Date. In the case of Investment Grade Municipal Trust, the Remarketing Agents will provide non-binding indications of the Applicable Dividend Rate for the next succeeding Dividend Period by 12:00 noon on the Tender Date and will determine the Applicable Dividend Rate for the next Dividend Period between 1:00 p.m. and 4:00 p.m. on the Tender Date. The Remarketing Agent has until 3:00 p.m. on the Remarketing Date (in the case of Municipal Opportunities Trust) or 4:00 p.m. on the Dividend Reset Date (in the case of Investment Grade Municipal Trust) to remarket all tendered Preferred Shares, and

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will notify each beneficial owner of tendered shares and each purchaser thereof by 3:30 p.m. on each Remarketing Date (in the case of Municipal Opportunities Trust) or 4:30 p.m. on each Remarketing Date (in the case of Investment Grade Municipal Trust) of the number of shares the beneficial owner or purchaser is to sell and purchase and to give instructions to the Agent Members to deliver such shares against payment therefor or to pay the purchase price against delivery as appropriate.

Eighteenth, the Remarketing Date and the Settlement Date are normally Friday and Monday, respectively, in the case of the outstanding Series A Preferred Shares of Municipal Opportunities Trust; Monday and Tuesday, respectively, and in the case of the outstanding Series B Preferred Shares of Municipal Opportunities Trust; and Thursday and Friday, respectively, in the case of the outstanding Series C Preferred Shares of Municipal Opportunities Trust. The Tender Date, Dividend Reset Date and Settlement Date are normally Thursday, Friday and Monday, respectively, in the case of outstanding Preferred Shares of Investment Grade Municipal Trust.

Nineteenth, the liquidation preference of Series A Preferred Shares of Municipal Opportunities Trust is \$50,000 per share plus accumulated but unpaid dividends, if any, thereon (whether or not earned or declared); the liquidation preference of Series B and Series C Preferred Share of Municipal Opportunities Trust is \$25,000 per share plus accumulated but unpaid dividends, if any, thereon (whether or not earned or declared); and the liquidation preference of Series A and Series I Preferred Shares of Investment Grade Municipal Trust is \$100,000 per share plus accumulated but unpaid dividends, if any, thereon (whether or not earned or declared) plus the premium, if any resulting from the designation of a Premium Call Period.

Twentieth, the Bylaws of Investment Grade Municipal Trust provide that the fund will not take any action described in Section 4 (Duration and Termination of Trust), Section 5 (Merger, Consolidation and Sale of Assets) or Section 6 (Conversion) of Article IX of the fund s Agreement and Declaration of Trust without the affirmative vote or consent of the holders of at least two-thirds (or a majority if permitted by Sections 4, 5 and 6 of Article IX of the fund s Agreement and Declaration of Trust) of the Preferred Shares and common shares of the fund, each voting separately as a class. The Bylaws of Municipal Opportunities Trust do not contain similar provisions; however, the Bylaws of Municipal Opportunities Trust requires the affirmative vote of at least two-thirds (or a majority of permitted by Sections 4, 5 and 6 of Article IX of the fund s Agreement and Declaration of Trust) of the Preferred Shares and common shares, voting together.

Finally, Municipal Opportunities Trust may notify the Remarketing Agent prior to a Remarketing establishing the Applicable Dividend Rate for any dividend, that income subject to regular federal income tax will be included in such dividend, and the Maximum Dividend Rate will be as follows:

Moody s	S&P	Applicable Percentage of Reference Rate No Tax Notification	Applicable Percentage of Reference Rate No Tax Notification
aa3 or higher	AA- or higher	110%	150%
a3 to a1	A- to A+	125%	160%
baa3 to baa1	BBB- to BBB+	150%	250%
Below baa3	Below BBB-	200%	275%

Investment Grade Municipal Trust does not have similar tax notification procedures; however, unlike Municipal Opportunities Trust, Investment Grade Municipal Trust has procedures whereby the fund will estimate capital gains and other income not exempt from federal income tax for such year and determine whether any portion of a dividend paid on Preferred Shares during such year will not be designated as an exempt-interest dividend and, if certain conditions are met, the fund will pay Additional Dividends on such Preferred Shares prior to the end of that year. See *Additional Dividends* for a discussion of the circumstances in which Municipal Opportunities Trust will pay Additional Dividends.

Dividends and Dividend Periods

The Bylaws provide generally that holders of Preferred Shares will be entitled to receive, when, as and if declared by the fund, out of funds legally available therefor, cumulative cash dividends, at the Applicable Dividend Rate for the applicable Dividend Period, payable on the respective dates set forth below and, except as described below, set by the Remarketing Agent in accordance with the remarketing

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procedures described under *Remarketing*, *Remarketing Procedures* and Exhibit C-1 attached hereto.

The Applicable Dividend Rate on Preferred Merger Shares for the Initial Dividend Period will be the rate determined by the Remarketing Agent in connection with the Remarketing occurring on the date before the Date of Original Issue. For each Dividend Period thereafter, except as otherwise described herein, the Applicable Dividend Rate on the Preferred Merger Shares and all other Preferred Shares will be the dividend rate per annum determined by the Remarketing Agent in its sole discretion (which discretion will be conclusive and binding on all holders) in accordance with the remarketing procedures described below.

Each Dividend Period for Series A Preferred Shares will generally consist of 28 days (a 28-day Dividend Period), unless the fund elects, prior to any Remarketing, a Special Dividend Period. Each Dividend Period for Series B Preferred Shares and Series C Preferred Shares will generally consist of 7 days (a 7-day Dividend Period), unless the fund elects, prior to any Remarketing, a Special Dividend Period. A Special Dividend Period is a Dividend Period consisting of a specified number of days (other than 28, in the case of Series A Preferred Shares, or seven, in the case of Series B Preferred Shares and Series C Preferred Shares), evenly divisible by seven and not fewer than seven nor more than 364 days (a Short Term Dividend Period), or a Dividend Period consisting of a specified period of one whole year or more but not greater than five years (a Long Term Dividend Period). Except as otherwise provided herein, the Dividend Periods for the Series A, Series B and Series C Preferred Shares will never be co-extensive. Dividends on Preferred Shares will be cumulative from their Date of Original Issue and will be payable, when, as and if declared by the Trustees on each Dividend Payment Date. The beneficial owner of a Preferred Share may elect to tender such share or hold such share for the next Dividend Period by providing notice to the Remarketing Agent in connection with the Remarketing for that Dividend Period. The Initial Dividend Period, 28-day Dividend Periods (in the case of Series A Preferred Shares), 7-day Dividend Periods (in the case of Series B Preferred Shares and Series C Preferred Shares) and Special Dividend Periods are hereinafter sometimes referred to as Dividend Periods.

Dividend Periods for the Preferred Shares. A Dividend Period for Preferred Shares will commence on each (but not the final) Dividend Payment Date for such share; provided, however, that any Dividend Payment Date, other than the last Dividend Payment Date during such Dividend Period, occurring after commencement of and during a Special Dividend Period of more than 35 days will not give rise to a new Dividend Period. Each subsequent Dividend Period for such shares will be comprised of, beginning with and including the date on which it commences, 28 consecutive days (in the case of Series A Preferred Shares) or seven consecutive days (in the case of Series B Preferred Shares and Series C Preferred Shares) or, in the event the fund has designated such Dividend Period as a Special Dividend Period, such number of consecutive days (other than 28 days (in the case of Series A Preferred Shares) or seven days (in the case of Series B Preferred Shares and Series C Preferred Shares)), as specified by the Trustees of the fund; provided that such number of days to be specified shall be a multiple of seven and not more than 364 in the case of a Short Term Dividend Period and shall consist of at least one full year (but not more than five years) in the case of a Long Term Dividend Period. Notwithstanding the foregoing, the Dividend Periods for each series of Preferred Shares will never be co-extensive with the Dividend Period for any other series of Preferred Shares unless the fund has received an opinion of tax counsel that having such co-extensive periods will not affect the tax opinion relating to the deductibility of dividends paid on the different series of Preferred Shares. Further, any adjustment of the remarketing schedule or of the length of a Dividend Period as provided herein shall cause an adjustment of the relevant Settlement Date, if necessary, so that such Settlement Date will be the first day of the next Dividend Period.

Special Dividend Periods for Preferred Shares. With respect to each Dividend Period, the fund may, at its sole option and to the extent permitted by law, by telephonic or written notice (a Request for Special Dividend Period) to the Remarketing Agent, request that the next succeeding Dividend Period for Preferred Shares will be a number of days (other than 28 (in the case of Series A Preferred Shares) or seven (in the case of Series B Preferred Shares and Series C Preferred Shares)) evenly divisible by seven, and not fewer than seven nor more than 364 in

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the case of a Short Term Dividend Period or a period of not less than one whole year and not greater than five years in the case of a Long Term Dividend Period, specified in such notice, provided that the fund may not give a Request for a Special Dividend Period of greater than 28 days (in the case of Series A Preferred Shares) or seven days (in the case of Series B Preferred Shares and Series C Preferred

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Shares) (and any such request shall be null and void) unless the fund has given written notice thereof to Moody's and S&P and unless, with respect to such series of Preferred Shares, full cumulative dividends, any amounts due with respect to redemptions, and any Additional Dividends payable prior to such date have been paid in full and, for any Remarketing occurring after the initial Remarketing, all shares tendered were remarketed in the last occurring Remarketing. Such Request for Special Dividend Period, in the case of a Short Term Dividend Period, shall be given on or prior to the fourth Business Day but not more than seven Business Days prior to a Remarketing Date and, in the case of a Long Term Dividend Period, shall be given on or prior to the 14th day but not more than 28 days prior to a Remarketing Date.

Upon receiving a Request for Special Dividend Period, the Remarketing Agent shall determine (i) whether given the factors set forth below it is advisable that the fund issue a Notice of Special Dividend Period for Preferred Shares as contemplated by such Request for Special Dividend Period, (ii) the Optional Redemption Price of the Preferred Shares during such Special Dividend Period, and (iii) the Specific Redemption Provisions, and shall give the fund written notice (a Response) of its determination by no later than the third Business Day prior to such Remarketing Date. In making such determination, the Remarketing Agent will consider (i) existing short-term and long-term market rates and indices of such short-term and long-term rates, (ii) existing market supply and demand for short-term and long-term securities, (iii) existing yield curves for short-term and long-term securities comparable to the Preferred Shares, (iv) industry and financial conditions which may affect the Preferred Shares, (v) the investment objective of the fund, and (vi) the Dividend Periods and dividend rates at which current and potential beneficial owners of Preferred Shares would remain or become beneficial owners.

If the Remarketing Agent shall not give the fund a Response by such third Business Day or if the Response states that given the factors set forth above it is not advisable that the fund give a Notice of Special Dividend Period for Preferred Shares, the fund may not give a Notice of Special Dividend Period in respect of such Request for Special Dividend Period. In the event the Response indicates that it is advisable that the fund give a Notice of Special Dividend Period for the Preferred Shares, the fund may, by no later than the second Business Day prior to such Remarketing Date, give a notice (a Notice of Special Dividend Period) to the Remarketing Agent and to the Securities Depository, which notice will specify (i) the duration of the Special Dividend Period, (ii) the Optional Redemption Price as specified in the related Response, and (iii) the Specific Redemption Provisions, if any, as specified in the related Response. The fund shall not give a Notice of Special Dividend Period and, if such Notice of Special Dividend Period shall have already been given, shall give telephonic or written notice of its revocation (a Notice of Revocation) to the Remarketing Agent (in the case of clauses (x) and (y) below) and to the Securities Depository (in the case of clauses (x), (y) and (z) below) on or prior to the Business Day prior to the relevant Remarketing Date if (x) either the 1940 Act Preferred Shares Asset Coverage is not satisfied or the fund shall fail to maintain S&P Eligible Assets and Moody's Eligible Assets each with an aggregate Discounted Value at least equal to the Preferred Shares Basic Maintenance Amount on each of the two Valuation Dates immediately preceding the Business Day prior to the relevant Remarketing Date on both an actual and pro forma basis and on a pro forma basis giving effect to the proposed Special Dividend Period (using as a pro forma dividend rate the dividend rate which the Remarketing Agent shall advise the fund is an approximately equal rate for securities similar to the Preferred Shares with an equal dividend period), provided that (unless Moody's advises the fund to the contrary), in calculating the aggregate Discounted Value of Moody's Eligible Assets for this purpose, the Moody's Exposure Period shall be deemed to be one week longer than the Moody's Exposure Period that would otherwise apply as of the date of the Notice of Special Dividend Period; (y) sufficient funds for the payment of dividends payable on the immediately succeeding Dividend Payment Date for the Preferred Shares have not been irrevocably deposited with the Paying Agent by the close of business on the third Business Day preceding the Remarketing Date; or (z) the Remarketing Agent advises the fund that, after consideration of the factors listed above, it has concluded that it is advisable to give a Notice of Revocation. If the fund is prohibited from giving a Notice of Special Dividend Period as a result of the factors enumerated in clause (x), (y) or (z) of the preceding sentence or if the fund gives a Notice of Revocation with respect to a Notice of Special Dividend Period for Preferred Shares, the next succeeding Dividend Period for Preferred Shares will be a 28-day Dividend Period (in the case of Series A Preferred Shares) or a 7-day Dividend Period (in the case of Series B Preferred Shares and Series C Preferred Shares), provided that if

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the then-current Dividend Period is a Special Dividend Period of less than 28 days (in the case of Series A Preferred Shares) or seven days (in the case of Series B Preferred Shares and Series C Preferred Shares), the next succeeding Dividend Period for such shares will be the same length as the current Dividend Period.

In the event all Preferred Shares for which the fund has given a Notice of Special Dividend Period tendered are not remarketed or a Remarketing is not held for any reason, the fund may not again give a Notice of Special Dividend Period (and any such attempted notice shall be null and void) until all Preferred Shares tendered in any subsequent Remarketing with respect to a 28-day Dividend Period (in the case of Series A Preferred Shares) or a 7-day Dividend Period (in the case of Series B Preferred Shares and Series C Preferred Shares) have been remarketed.

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Dividend Payment Dates. Dividends on each Preferred Share will accumulate from its Date of Original Issue and will be payable, when, as and if declared by the Trustees, on the applicable Dividend Payment Dates. The Dividend Payment Dates will be: (i) with respect to any 28-day Dividend Period (in the case of Series A Preferred Shares), 7-day Dividend Period (in the case of Series B Preferred Shares and Series C Preferred Shares) and any Short Term Dividend Period of 35 or fewer days, the day next succeeding the last day thereof; and (ii) with respect to any Short Term Dividend Period of more than 35 days and any Long Term Dividend Period, the first Business Day of each calendar month during such Short Term Dividend Period or Long Term Dividend Period and the day next succeeding the last day of such period (each such date referred to in clause (i) or (ii) being herein referred to as a Normal Dividend Payment Date). If such Normal Dividend Payment Date is not a Business Day, then (i) the Dividend Payment Date shall be the first Business Day next succeeding such Normal Dividend Payment Date if such Normal Dividend Payment Date is a Monday, Tuesday, Wednesday or Thursday, or (ii) the Dividend Payment Date shall be the first Business Day next preceding such Normal Dividend Payment Date if such Normal Dividend Payment Date is a Friday and, in each case, the length of the current Dividend Period will be adjusted accordingly. If, however, in the case of clause (ii) of the preceding sentence, the Securities Depository shall make available to its participants and members in funds immediately available in New York City on Dividend Payment Dates the amount due as dividends on such Dividend Payment Dates (and the Securities Depository shall have so advised the fund), and if the Normal Dividend Payment Date is not a Business Day, then the Dividend Payment Date shall be the next succeeding Business Day and the length of the current Dividend Period will be adjusted accordingly. Although any particular Dividend Payment Date may not occur on the originally scheduled date because of the exceptions discussed above, the next succeeding Dividend Payment Date, subject to such exceptions, will occur on the next following originally scheduled date. If for any reason a Dividend Payment Date cannot be fixed as described above, then the Trustees shall fix the Dividend Payment Date and the length of the current Dividend Period will be adjusted accordingly, if necessary. Each dividend payment date determined as provided above is hereinafter referred to as a Dividend Payment Date.

Dividend Payments. So long as there is a Securities Depository with respect to the Preferred Shares, each dividend on Preferred Shares will be paid to the Securities Depository or its nominee as the record holder of all such shares, and such payment shall for all purposes discharge the fund's obligations in respect of such payment. The Securities Depository is responsible for crediting the accounts of the Agent Members of the beneficial owners of Preferred Shares in accordance with the Securities Depository's procedures. Each Agent Member will be responsible for holding or disbursing such payments to the beneficial owners of the Preferred Shares for which it is acting in accordance with the instructions of such beneficial owners. If, and as long as, neither the Securities Depository nor its nominee is the record holder of a Preferred Share, dividends thereon will be paid in same-day funds directly to the record holder thereof in accordance with the instructions of such holder.

Dividends on any share in arrears with respect to any past Dividend Payment Date may be declared and paid at any time, without reference to any regular Dividend Payment Date, pro rata to the holders thereof as of a date not exceeding five Business Days preceding the date of payment thereof as may be fixed by the Trustees. Any dividend payment made on Preferred Shares will be first credited against the dividends accumulated but unpaid (whether or not earned or declared) with respect to the earliest Dividend Payment Date on which dividends were not paid. Neither holders nor beneficial owners of Preferred Shares will not be entitled to any dividends, whether payable in cash, property or shares, in excess of full cumulative dividends thereon (including any amounts actually due and payable as Additional Dividends). Except for the

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late charge described under Dividends and Dividend Periods - Non-Payment Period; Late Charge, holders and beneficial owners of Preferred Shares will not be entitled to any interest, or other additional amount, on any dividend payment on any Preferred Shares which may be in arrears.

The amount of declared dividends per Preferred Share payable on each Dividend Payment Date for each 28-day Dividend Period, each 7-day Dividend Period and each Short Term Dividend Period shall be computed by the fund by multiplying the Applicable Dividend Rate for such Dividend Period by a fraction, the numerator of which will be the number of days in such Dividend Period such share was outstanding from and including the Date of Original Issue or the preceding Dividend Payment Date, as the case may be, to and including the day preceding such Dividend Payment Date, and the denominator of which will be 365, then multiplying the amount so obtained by \$50,000 (in the case of Series A Preferred Shares) or \$25,000 (in the case of Series B Preferred Shares and Series C Preferred Shares) and rounding the amount so obtained to the nearest cent. During any Long Term Dividend Period, the amount of dividends per share payable on any Dividend Payment Date shall be computed by dividing the Applicable Dividend Rate by twelve, multiplying the amount so obtained by \$50,000 (in the case of Series A Preferred Shares) or \$25,000 (in the case of Series B Preferred Shares and Series C Preferred Shares), and rounding the amount so obtained to the nearest cent; provided, however, that if the number of days from and including the Date of Original Issue or the preceding Dividend Payment Date, as the case may be, to and including the day preceding such Dividend Payment Date is less than 30 and such days do not constitute a full calendar month, then the amount of dividends per share payable on such Dividend Payment Date shall be computed by multiplying the Applicable Dividend Rate for such Dividend Period by a fraction, the numerator of which will be the such number of days and the denominator of which will be 360, multiplying the amount so obtained by \$50,000 (in the case of Series A Preferred Shares) or \$25,000 (in the case of Series B Preferred Shares and Series C Preferred Shares), and rounding the amount so obtained to the nearest cent.

In the event that the Remarketing Agent, the Paying Agent, the Securities Depository, any Agent Member and any beneficial owner fails for any reason to perform any of its obligations in respect of a remarketing or otherwise, no holder of record of, or of any beneficial interest in, any Preferred Shares shall have any right in respect thereof against the fund or any Trustee or officer of the fund, and the sole obligation of the fund

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in respect of the determination of the amount and the payment of any dividend shall be to pay to the Paying Agent, for the benefit of the holders of record of the Preferred Shares, dividends when due at the Applicable Dividend Rate notified to it from time to time.

Non-Payment Period; Late Charge. A Non-Payment Period will commence on and include the day on which the fund fails to (i) declare, prior to 12:00 noon, New York City time, on any Dividend Payment Date for a Preferred Share, for payment on or (to the extent permitted below) within three Business Days after such Dividend Payment Date to the holder of such share as of 12:00 noon, New York City time, on the Business Day preceding such Dividend Payment Date (the Record Date), the full amount of any dividend on such Preferred Share payable on such Dividend Payment Date or (ii) deposit, irrevocably in trust, in same-day funds, with the Paying Agent by 12:00 noon, New York City time, (A) on or (to the extent permitted below) within three Business Days after any Dividend Payment Date for a Preferred Share the full amount of any dividend on such share (whether or not earned or declared) payable on such Dividend Payment Date or (B) on or (to the extent permitted below) within three Business Days after any redemption date for a Preferred Share called for redemption, the Mandatory Redemption Price or Optional Redemption Price, as the case may be. Such Non-Payment Period will end on and include the Business Day on which, by 12:00 noon, New York City time, all unpaid dividends and unpaid redemption prices shall have been so deposited or shall have otherwise been made available to the applicable holders in same-day funds; provided that a Non-Payment Period will not end during the first seven days thereof unless the fund shall have given at least three days' written notice to the Paying Agent, the Remarketing Agent and the Securities Depository and thereafter will not end unless the fund shall have given at least fourteen days' written notice to the Paying Agent, the Remarketing Agent, the Securities Depository and all holders of shares.

The Applicable Dividend Rate for each Dividend Period for Preferred Shares commencing during a Non-Payment Period will be equal to the Non-Payment Period Rate and any Preferred Shares for which a Special Dividend Period would otherwise have commenced on the first day of or during a Non-Payment Period will have a 28-day Dividend Period (in the case of Series A

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Preferred Shares) and a 7-day Dividend Period (in the case of Series B Preferred Shares and Series C Preferred Shares). The Non-Payment Period Rate, initially, will be 200% of the applicable Reference Rate (or 275% of such rate if the fund has provided notification to the Remarketing Agent prior to the Remarketing Date establishing the Applicable Dividend Rate for any dividend that net capital gain or other taxable income will be included in such dividend on Preferred Shares). The initial Non-Payment Period Rate may be changed from time to time by the fund without shareholder approval, but only in the event the fund receives written confirmation from Moody's and S&P that any such change would not impair the ratings then assigned by Moody's and S&P to Preferred Shares. Any dividend on Preferred Shares due on any Dividend Payment Date for such shares (if, prior to 12:00 noon, New York City time, on such Dividend Payment Date, the fund has declared such dividend payable on or within three Business Days after such Dividend Payment Date to the holders who held such shares as of the Record Date) or redemption price with respect to such shares not paid to holders when due may be paid pro rata to such holders in the same form of funds by 12:00 noon, New York City time, on any of the first three Business Days after such Dividend Payment Date or due date, as the case may be, (if such non-payment occurs because the fund is prevented from doing so by the Bylaws or applicable law), and will incur a late charge to be paid therewith to such holders. The late charge will be calculated for such period of non-payment at the Non-Payment Period Rate applied to the amount of such non-payment based on the actual number of days comprising such period divided by 365; such late charge will be taxable as interest. If the fund fails to pay a dividend on a Dividend Payment Date or to redeem any Preferred Shares on the date set for such redemption otherwise than because it is prevented from doing so by the Bylaws or by applicable law, the preceding sentence shall not apply and the Applicable Dividend Rate for the Dividend Period commencing during such Non-Payment Period shall be the Non-Payment Period Rate.

Restrictions on Dividends and Other Payments. Under the 1940 Act, the fund may not declare dividends or make other distributions on the common shares or purchase any such shares if, at the time of the declaration, distribution or purchase, as applicable (and after giving effect thereto), asset coverage (as defined in the 1940 Act) with respect to the outstanding Preferred Shares would be less than 200% (or such other percentage as may in the future be required by law). In addition, for so long as any Preferred Shares are outstanding, the fund will not declare, pay or set apart for payment any dividend or other distribution (other than a dividend or distribution paid in shares of, or options, warrants or rights to subscribe for or purchase, common shares or other shares, if any, ranking junior to the Preferred Shares as to dividends and upon liquidation) in respect of common shares or any other shares of the fund ranking junior to or on a parity with the Preferred Shares as to dividends or upon liquidation, or call for redemption, redeem, purchase or otherwise acquire for consideration any common shares or any other such junior shares or parity shares (except by conversion into or exchange for shares of the fund ranking junior to the Preferred Shares as to dividends and upon liquidation), unless (i) full cumulative dividends on Preferred Shares through their most recent Dividend Payment Date shall have been paid or shall have been declared and sufficient funds for the payment thereof have been deposited with the Paying Agent, (ii) the fund has redeemed the full number of Preferred Shares required to be redeemed by any provision for mandatory redemption contained in the Bylaws, (iii) immediately after such transaction the aggregate Discounted Value of Moody's Eligible Assets and S&P Eligible Assets would be at least equal to the Preferred Shares Basic Maintenance Amount and (iv) the fund meets the requirements imposed by the 1940 Act. See Asset Maintenance and Redemption.

Under the Code the fund must, among other things, distribute each year at least 90% of the sum of its investment company taxable income and net tax-exempt income in order to maintain its qualification for tax treatment as a regulated investment company. The foregoing limitations on

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dividends, distributions and purchases may under certain circumstances impair the fund's ability to maintain such qualification. See *Taxation of Preferred Shares*. Upon any failure by the fund to pay dividends on the Preferred Shares for two years or more, the holders of the Preferred Shares will acquire certain additional voting rights. See *Voting Rights* below. Such rights shall be the exclusive remedy of the holders of Preferred Shares upon any failure to pay dividends on shares of the fund.

Additional Dividends. In the event of a redemption of all or a portion of the outstanding Preferred Shares or the liquidation of the fund, the fund may, after the close of its taxable year, be required, in order to comply with the published position of the Internal Revenue Service (the "IRS") described below under *Advance Notice of Allocation of Taxable Income; Inclusion of Taxable*

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Income Dividend concerning the allocation of various types of income between a fund's classes and series of shares, to characterize all or a portion of a dividend paid to holders of Preferred Shares during such taxable year as net capital gain or other income subject to regular federal income tax, without having either given advance notice of the inclusion of such income in such dividend prior to the setting of the Applicable Dividend Rate for such dividend or included an additional amount in the dividend to offset the tax effect of the inclusion therein of such taxable income. Accordingly, if the fund characterizes retroactively all or a portion of a dividend already paid on Preferred Shares as consisting of net capital gain or other income subject to regular federal income tax solely because (i) the fund has redeemed all or a portion of the outstanding Preferred Shares or the fund has liquidated and (ii) the fund, in its judgment, believes it is required, in order to comply with the published position of the IRS described above, to allocate such taxable income to the Preferred Shares (the amount so characterized referred to herein as a *Retroactive Taxable Allocation*), the fund will, within 90 days after the end of such taxable year, provide notice of the Retroactive Taxable Allocation made with respect to the dividend to the Paying Agent and to each holder who received such dividend (initially Cede as nominee of the Securities Depository) at such holder's address as the same appears or last appeared on the share transfer books of the fund. The fund will, within 30 days after such notice is given to the Paying Agent, pay to the Paying Agent (who will then distribute to such holders), out of funds legally available therefor, an amount equal to the aggregate of the Additional Dividends (as defined below) payable to holders of Preferred Shares in respect of such dividend. See *Taxation of Preferred Shares*.

An *Additional Dividend* in respect of any dividend means payment to a present or former holder of a Preferred Share of an amount which, giving effect to the Retroactive Taxable Allocation made with respect to such dividend, would cause such holder's after-tax return (taking into account both the dividend and the Additional Dividend and assuming such holder is taxable at the Gross-Up Tax Rate) to be equal to the after-tax return which the holder would have realized if such retroactive allocation of taxable income had not been made. Such Additional Dividend shall be calculated (i) without consideration being given to the time value of money, (ii) assuming that no holder of Preferred Shares is subject to the federal alternative minimum tax with respect to dividends received from the fund, and (iii) assuming that the holder of the Preferred Share in respect of which a Retroactive Taxable Allocation was made is taxable at the Gross-Up Tax Rate. An Additional Dividend will not include any amount to account for the fact that either the Additional Dividend or the Retroactive Taxable Allocation may be subject to state and local taxes. Except as provided in this section, the fund will not distribute any additional amounts with respect to dividends previously paid to holders of Preferred Shares.

Special Dividends. The fund may declare Special Dividends on Preferred Shares in order to comply with any distribution requirements of the Code, and thereby avoid the incurrence by the fund of any income or excise tax under the Code, provided that the declaration of a Special Dividend shall not cause the fund to fail to maintain the Preferred Shares Basic Maintenance Amount or the 1940 Act Preferred Shares Asset Coverage. See *Taxation of Preferred Shares*.

Applicable Dividend Rate. Except during a Non-Payment Period, the Applicable Dividend Rate for any Dividend Period will not exceed the applicable Maximum Dividend Rate. The Maximum Dividend Rate for Preferred Shares will depend on the credit rating or ratings assigned to such shares. The Maximum Dividend Rate for any Dividend Period will be the Applicable Percentage (specified below) of the Reference Rate on the applicable Remarketing Date. *Reference Rate* means (i) with respect to a Dividend Period having 28 or fewer days, the higher of the applicable AA Composite Commercial Paper Rate and the Taxable Equivalent of the Short-Term Municipal Bond Rate, (ii) with respect to any Short Term Dividend Period having more than 28 but fewer than 183 days, the applicable AA Composite Commercial Paper Rate, (iii) with respect to any Short Term Dividend Period having 183 or more but fewer than 365 days, the U.S. Treasury Bill Rate and (iv) with respect to any Long Term Dividend Period, the applicable U.S. Treasury Note Rate. The *Applicable Percentage* on any Remarketing Date will be determined based on (i) the lower of the credit rating or ratings assigned on such date to Preferred Shares by Moody's and S&P (or if Moody's or S&P or both shall not make such rating available, the equivalent of either or both of such ratings by a Substitute Rating Agency or two Substitute Rating Agencies or, in the event that only one such rating shall be available, such rating) and (ii) whether the fund has provided to the Remarketing Agent prior to the Remarketing establishing the Applicable Dividend Rate notification that net capital gain or other income subject to regular federal income tax will be included in a dividend on Preferred Shares during such Dividend Period as follows:

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Moody's	S&P	Applicable Percentage of Reference Rate No Tax Notification	Applicable Percentage of Reference Rate No Tax Notification
Aa3 or higher	AA- or higher	110%	150%
A3 to A1	A- to A+	125%	160%
Baa3 to Baa1	BBB- to BBB+	150%	250%
Below Baa3	Below BBB-	200%	275%

The Applicable Dividend Rate for any Dividend Period commencing during any Non-Payment Period, and the rate to calculate any applicable late charge will generally be 200% of the applicable Reference Rate (or 275% of such rate if the fund has provided a Tax Notification to the Remarketing Agent with respect to that Dividend Period).

Advance Notice of Allocation of Taxable Income; Inclusion of Taxable Income in Dividend. Dividends paid by the fund, to the extent paid from tax-exempt interest earned on tax-exempt securities and properly designated as exempt-interest dividends, will be exempt from federal income tax, subject to the possible application of the federal alternative minimum tax. The IRS has taken the position in a published ruling that the fund is required for each taxable year to allocate net capital gain and other income subject to regular federal income tax, if any, proportionately between its common shares and the Preferred Shares in accordance with the percentage of total fund distributions received by each such class of shares with respect to such year. For example, the fund will designate dividends paid as exempt-interest dividends in a manner that allocates such dividends among the holders of common shares and Preferred Shares in proportion to the total dividends paid to each such class during or with respect to the taxable year, or otherwise as required by law. Whenever the fund intends to include any net capital gain or other income subject to regular federal income tax in a dividend on Preferred Shares solely because the fund, in its judgment, believes it is required, in order to comply with the published position of the IRS, to allocate taxable income to such shares, the fund may notify the Remarketing Agent of the amount to be so included at least five Business Days prior to the Remarketing Date on which the Applicable Dividend Rate for such dividend is to be established. Alternatively, if the fund has not provided the notice referred to in the preceding sentence, and nevertheless intends to include such income in a dividend on Preferred Shares solely because the fund, in its judgment, believes it is required, in order to comply with the published position of the IRS, to allocate such income to Preferred Shares, it will (i) increase the dividend by an amount such that the return to a holder of Preferred Shares with respect to such dividend (as so increased and after giving effect to federal income tax at the Gross-Up Tax Rate) equals the Applicable Dividend Rate and (ii) notify the Paying Agent of the additional amount to be included in the dividend at least five Business Days prior to the applicable Dividend Payment Date. In the event the fund has provided notice of an inclusion of taxable income in an upcoming dividend on Preferred Shares as referred to above, yet, after giving such notice the fund intends to include additional taxable income in such dividend solely because, in the judgment of the fund, it is required to do so in order to comply with the IRS's published ruling, the fund will (i) increase the dividend by an amount such that the return to a holder of Preferred Shares with respect to such dividend (as so increased and after giving effect to federal income tax at the Gross-Up Tax Rate) shall equal the return such holder of Preferred Shares would have received, after application of federal income tax, if such additional amount of taxable income had not been included in such dividend (and such dividend had not been increased to take account of any additional taxable income) and (ii) notify the Paying Agent of the additional amount to be included in the dividend at least five Business Days prior to the applicable Dividend Payment Date. Neither the underlying dividend nor the additional amounts referred to in the two preceding sentences will be increased to compensate for the fact that they may be subject to state and local taxes.

The Gross-Up Tax Rate shall be equal to the sum of (i) the percentage of the taxable income included in the dividend that is taxable for federal income tax purposes as ordinary income, multiplied by the greater of (A) the highest marginal federal corporate income tax rate (without regard to the phase-out of graduated rates) applicable to ordinary income and (B) the highest marginal federal individual income tax rate applicable to ordinary income (including any surtax but without regard to any phase-out of personal exemptions or any limitation on itemized deductions), and (ii) the

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percentage of the taxable income included in the dividend that is taxable for federal income tax purposes as long-term capital gain, multiplied by the greater of (A) the highest marginal federal corporate income tax rate (without regard to the phase-out of graduated rates) applicable to long-term capital gain and (B) the highest marginal federal individual income tax rate applicable to long-term capital gain (including any surtax

but without regard to any phase-out of personal exemptions or any limitation on itemized deductions). If for any reason it is determined after the payment of any dividend that a portion of that dividend was subject to federal income tax, the fund will not be required to pay any additional amount to compensate for any tax payable on the dividend (other than Additional Dividends payable under the circumstances described in this Appendix C). The fund will not be required to provide any notice of the prospective inclusion of, or increase any dividend on Preferred Shares as a result of the inclusion of, any taxable income in any dividend (other than in the circumstances described above and in the circumstances under which the fund is required to pay Additional Dividends). No provision will be made to compensate holders of Preferred Shares for any federal alternative minimum tax liability in respect of distributions on Preferred Shares. See Dividends and Dividend Period-Additional Dividends.

Remarketing

The Bylaws provide that the Applicable Dividend Rate for each Preferred Share for each Dividend Period therefor (except the Initial Dividend Period) will be (i) unless such Dividend Period commences during a Non-Payment Period, equal to the lower of (a) the rate of dividend per annum that the Remarketing Agent advises results on the Remarketing Date preceding the first day of such Dividend Period pursuant to the remarketing procedures set forth in the Bylaws and (b) the Maximum Dividend Rate or (ii) if such Dividend Period commences during a Non-Payment Period, equal to the Non-Payment Period Rate.

Prospective purchasers should carefully review the remarketing procedures described below and should note that (i) an election to tender Preferred Shares cannot be revoked except as provided in the Bylaws and as more fully described herein, (ii) each Remarketing will be conducted through telephonic communications, (iii) settlement for purchases and sales in a Remarketing will be made on the Settlement Date, and (iv) each prospective purchaser and each beneficial owner of Preferred Shares will be bound by the remarketing procedures, including the Remarketing Agent's determination of the Applicable Dividend Rate pursuant to the remarketing procedures.

Remarketing Schedule. Each Remarketing for Preferred Shares will take place over a two-Business Day period consisting of the Remarketing Date and the Settlement Date. An example of the time sequence of the events in a normal remarketing schedule is provided in Exhibit C-1 hereto. The first Remarketing Date for the Preferred Merger Shares will be the last day of the Initial Dividend Period.

Remarketing Date. By 9:00 am., New York City time, on such Remarketing Date, the Remarketing Agent will, after canvassing the market and considering prevailing market conditions at the time for such shares and similar securities, provide to beneficial owners of such shares non-binding indications of the Applicable Dividend Rate for the next succeeding 28-day Dividend Period (in the case of Series A Preferred Shares), 7-day Dividend Period (in the case of Series B Preferred Shares and Series C Preferred Shares) or Special Dividend Period, as the case may be.

THE ACTUAL APPLICABLE DIVIDEND RATE FOR SUCH DIVIDEND PERIOD MAY BE GREATER THAN OR LESS THAN THE RATE INDICATED IN SUCH NON-BINDING INDICATIONS (BUT NOT GREATER THAN THE APPLICABLE MAXIMUM DIVIDEND RATE) AND WILL NOT BE DETERMINED UNTIL AFTER A BENEFICIAL OWNER IS REQUIRED TO ELECT TO HOLD OR TENDER ITS PREFERRED SHARES AND A NEW PURCHASER IS REQUIRED TO AGREE TO PURCHASE PREFERRED SHARES.

By 12:00 noon, New York City time, on any Remarketing Date, each beneficial owner of Preferred Shares subject to Tender and Dividend Reset must notify the Remarketing Agent of its desire (on a share-by-share basis) either to tender such share at a price of \$50,000 per share (in the case of Series A Preferred Shares) or \$25,000 per share (in the case of Series B Preferred and Series C Preferred Shares) or to continue to hold such share for the next 28-day Dividend Period (in the case of Series A Preferred Shares) or 7-day Dividend Period (in the case of Series B Preferred Shares and Series C Preferred Shares) or, if applicable, the designated Special Dividend Period. Beneficial owners who do not provide such notice shall be deemed to have elected (i) to hold all their Preferred Shares if the current Dividend Period and succeeding Dividend Period is a 28-day Dividend Period (in the case of Series A

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Preferred Shares) or 7-day Dividend Period (in the case of Series B Preferred Shares and Series C Preferred Shares) or a Special Dividend Period of 60 days or less, and (ii) to tender all their Preferred Shares if the current Dividend Period or succeeding Dividend Period is a Special Dividend Period of more than 60 days. Any notice given to the Remarketing Agent to tender or hold shares for a particular Dividend Period is irrevocable and may not be conditioned upon the level at which Applicable Dividend Rates are set. Any notice of tender or to hold shares may not be revoked, except that the Remarketing Agent may, in its sole discretion, (i) at the request of a tendering beneficial owner that has tendered one or more Preferred Shares to the Remarketing Agent, waive such beneficial owner's tender, and thereby enable such beneficial owner to continue to hold such share(s) for the next 28-day Dividend Period (in the case of Series A Preferred Shares) or 7-day Dividend Period (in the case of Series B Preferred Shares and Series C Preferred Shares) or a designated Special Dividend Period, as agreed to by the beneficial owner and the Remarketing Agent at such time, so long as such tendering beneficial owner has indicated to the Remarketing Agent that it would accept the new Applicable Dividend Rate for such Dividend Period, such waiver to be contingent upon the Remarketing Agent's being able to remarket all shares tendered to it in such Remarketing, and (ii) at the request of a beneficial owner that has elected to hold one or more of its Preferred

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Shares, waive such beneficial owner's election with respect thereto, such waiver to be contingent upon the Remarketing Agent's being able to remarket all shares tendered to it in such Remarketing.

There can be no assurance that the Remarketing Agent will be able to remarket all Preferred Shares tendered in a Remarketing. If any Preferred Shares tendered in a Remarketing are not remarketed, a beneficial owner thereof may be required to hold some or all of its shares at least until the end of the next Dividend Period therefor or to sell its shares outside a Remarketing. If the Remarketing Agents are unable to remarket all tendered Preferred Shares, the remarketing procedures may require an allocation of Preferred Shares on a pro rata basis, to the extent practicable, or by lot, as determined by the Remarketing Agent in its sole discretion, which may result in a beneficial owner selling a number of Preferred Shares that is less than the number of Preferred Shares specified in such beneficial owner's tender order. Thus, under certain circumstances, Preferred Shares may be illiquid investments.

Settlement Date. On a Settlement Date for Preferred Shares, which will be the first Business Day following the related Remarketing Date and which will be the first day of the new Dividend Period, each person purchasing Preferred Shares as a result of a Remarketing must pay, or cause its Agent Member to pay on its behalf, the purchase price against delivery of such shares by the beneficial owner thereof or its Agent Member.

Settlement for purchases and sales of Preferred Shares in a Remarketing will generally be made with respect to each Preferred Share through the Securities Depository on the related Settlement Date therefor, in accordance with its normal procedures, which provide for payment in same-day funds.

Preferred Shares tendered in a Remarketing will be purchased solely out of the proceeds received from purchasers of Preferred Shares in such Remarketing. Neither the fund, nor the Paying Agent nor the Remarketing Agent will be obligated to provide funds to make payment upon any beneficial owner's tender in a Remarketing unless, in the case of each of the Paying Agent or the Remarketing Agent, the shares are purchased for its own account. Tendered Preferred Shares will also be subject to purchase in a Remarketing by the Remarketing Agent for its own account or as nominee for others, although the Remarketing Agent is not obligated to purchase any shares.

Remarketing Agent. The Remarketing Agent for the outstanding Preferred Shares of the fund and for the Preferred Merger Shares, is Merrill Lynch, Pierce, Fenner & Smith Incorporated (and any additional or successor companies or entities, if any, which have entered into an agreement with the fund to follow the remarketing procedures for the purpose of determining the Applicable Dividend Rate). The fund has entered into a Remarketing Agreement with the Remarketing Agent which will provide, among other things, that the Remarketing Agent will follow certain procedures for remarketing Preferred Shares on behalf of beneficial owners thereof as provided in the Bylaws for the purpose of determining the Applicable Dividend Rate that will enable the Remarketing Agent to remarket Preferred Shares tendered to it at a price of \$50,000 per share (in the case of Series A Preferred Shares) or \$25,000 per share (in the case of Series B Preferred Shares and Series C Preferred Shares) for a 28-day Dividend Period (in the case of Series A Preferred Shares), a 7-day Dividend Period (in the case of Series B Preferred Shares and Series C Preferred Shares) or a Special Dividend Period, as the case may

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be. Each periodic operation of such procedures with respect to Preferred Shares is referred to as a Remarketing. Under certain circumstances, Preferred Shares tendered in a Remarketing may be tendered or purchased by the Remarketing Agent for its own account. See Remarketing Procedures.

Restriction on Transfer

General. The Paying Agent will maintain a record of certain beneficial owners of Preferred Shares for purposes of determining such owners entitled to participate in Remarketings and for certain other purposes. The Paying Agent will only record transfers of such beneficial ownership, in a Remarketing or otherwise, of which it is notified in accordance with its procedures in effect from time to time.

Book Entry Only. DTC currently acts as Securities Depository for the Agent Members with respect to Preferred Shares. Except as discussed below, as long as DTC is the Securities Depository, one certificate for the outstanding Preferred Shares will be registered in the name of Cede as nominee of the Securities Depository, and Cede will be the holder of record of all Preferred Shares. Such certificate will bear a legend to the effect that such certificate is issued subject to the provisions contained in the Bylaws. Unless the fund shall have waived this requirement during a Non-Payment Period, Preferred Shares may be held only in book entry form through the Securities Depository (which, either directly or through a nominee, will be the registered owner of Preferred Shares as described above), and the fund will issue stop-transfer instructions to the Paying Agent for the Preferred Shares to this effect. If the fund shall have waived the foregoing requirement during a Non-Payment Period, a holder of Preferred Shares may obtain a certificate or certificates for such shares. The fund is advised that DTC is a New York-chartered limited purpose trust company, which performs services for its participants (including the Agent Members), some of which (and/or their representatives) own DTC. The fund is advised further that DTC maintains lists of its participants and will maintain as record holder the positions (beneficial ownership interests) held by each Agent Member in the Preferred Shares, whether such Agent Member is a holder for its own account or as a

nominee for another holder. The fund shall have no obligation, including without limitation any obligation to provide notice or to make any payment (in respect of any dividend or otherwise) to any person (including without limitation any holder of any beneficial interest in Preferred Shares, whether or not such interest is reflected on the share transfer books of the Paying Agent) other than the holders of record of the Preferred Shares shown on the share transfer books of the Paying Agent from time to time. The share transfer books of the fund as kept by the Paying Agent shall be conclusive as to who is the holder of record of any Preferred Shares at any time and as to the number of Preferred Shares held from time to time by any such holder. No Remarketing Agent, Paying Agent, Securities Depository, or Agent Member will have any obligation to any person having any interest in any Preferred Share other than the beneficial owner thereof. The Paying Agent shall have no obligation to record any transfer of record or beneficial ownership in any share unless and until it shall have received proper notice and evidence of such transfer and the right of the transferee in accordance with the Paying Agent's procedures in effect from time to time.

The fund intends that any certificate for Preferred Shares will bear a legend to the effect that such certificate is issued subject to certain provisions restricting transfers of such shares.

Remarketing Procedures

Tender by Beneficial Owners. Each share of Preferred Shares is subject to Tender and Dividend Reset only on the relevant Remarketing Date at the end of each Dividend Period applicable to such share. Except during a Non-Payment Period, by 12:00 noon New York City time, on the Remarketing Date in the Remarketing at the end of each Dividend Period, the beneficial owner of a Preferred Share may elect to tender such share or hold such share for the next Dividend Period. If the beneficial owner of such Preferred Share elects to hold such share, such beneficial owner shall hold such Preferred Share at the Applicable Dividend Rate for a 28-day Dividend Period (in the case of Series A Preferred Shares), a 7-day Dividend Period (in the case of Series B Preferred Shares and Series C Preferred Shares) or a Special Dividend Period if the succeeding Dividend Period with respect to such share has been designated by the Trustees as a Special Dividend Period, provided that, except during a Non-Payment Period if (i) there is no Remarketing Agent, (ii) the Remarketing Agent is not required to conduct a Remarketing or (iii) the Remarketing Agent is unable to remarket in the Remarketing on such Remarketing Date all such Preferred Shares tendered (or deemed tendered) to it at a price of \$50,000 per share (in the case of Series A Preferred Shares) or \$25,000 per share (in the case of Series B Preferred Shares and Series C

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Preferred Shares), then the Applicable Dividend Rate for the subsequent Dividend Period and for each subsequent Dividend Period in which no Remarketing takes place because of the foregoing shall be the applicable Maximum Dividend Rate for a 28-day Dividend Period (in the case of Series A Preferred Shares) or a 7-day Dividend Period (in the case of Series B Preferred Shares and Series C Preferred Shares) and the next Dividend Period and each subsequent Dividend Period shall be a 28-day Dividend Period (in the case of Series A Preferred Shares) or a 7-day Dividend Period (in the case of Series B Preferred Shares and Series C Preferred Shares).

Preferred Shares may be tendered only in a Remarketing which commences on the Remarketing Date immediately prior to the end of the current Dividend Period with respect thereto as described above in Remarketing Remarketing Date.

When Preferred Shares are tendered in a Remarketing therefor, the Remarketing Agent is required to use its best efforts to remarket such tendered shares on behalf of the beneficial owners thereof, but there can be no assurance that the Remarketing Agent will be able to remarket all Preferred Shares tendered. Each beneficial owner's right to tender Preferred Shares in a Remarketing therefor is limited to the extent that (i) the Remarketing Agent conducts a Remarketing pursuant to the terms of the Remarketing Agreement, (ii) shares tendered have not been called for redemption, and (iii) the Remarketing Agent is able to find purchasers for tendered Preferred Shares at an Applicable Dividend Rate for a 28-day Dividend Period (in the case of Series A Preferred Shares), 7-day Dividend Period (in the case of Series B Preferred Shares and Series C Preferred Shares) or a designated Special Dividend Period, as the case may be, not in excess of any applicable Maximum Dividend Rate. If the Remarketing Agent is unable to find a purchaser or purchasers for all Preferred Shares tendered in a Remarketing therefor, the shares to be sold in such Remarketing will be selected either pro rata or by lot from among all the tendered shares. Each purchase or sale in a Remarketing will be made for settlement on the related Settlement Date. There can be no assurance that the Remarketing Agent will be able to remarket all Preferred Shares tendered in a Remarketing therefor. If any Preferred Shares so tendered are not remarketed, a beneficial owner thereof may be required to continue to hold some or all of its shares until at least the end of the next Dividend Period therefor or to sell such shares outside a Remarketing.

Tendered Preferred Shares will also be subject to purchase in a Remarketing therefor by the Remarketing Agent. If the Remarketing Agent holds Preferred Shares for its own account after a Remarketing, it is required to establish an Applicable Dividend Rate in such Remarketing that is no higher than the Applicable Dividend Rate that would have been set if the Remarketing Agent did not hold or had not purchased such shares. The Remarketing Agent may purchase Preferred Shares for its own account in a Remarketing only if the Remarketing Agent purchases for its own account or the account of others all tendered (or deemed tendered) Preferred Shares subject to Tender and Dividend Reset but not sold to other purchasers in such Remarketing. The Remarketing Agent is not obligated to purchase any Preferred Shares that would otherwise remain unsold in a Remarketing. If the Remarketing Agent holds any Preferred Shares immediately prior to a Remarketing and if all other Preferred Shares subject to Tender and Dividend Reset and tendered for sale by other owners have been sold in such Remarketing, then the Remarketing Agent

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may sell in such Remarketing such number of its shares which are subject to Tender and Dividend Reset as there are outstanding orders to purchase that have not been filled by shares tendered for sale on behalf of accounts other than that of the Remarketing Agent. Neither the fund, nor the Paying Agent nor the Remarketing Agent will be obligated in any case to provide funds to make payment to any beneficial owner upon such beneficial owner's tender of its Preferred Shares in any Remarketing. If the Remarketing Agent purchases Preferred Shares in the secondary market or in a Remarketing, it may be in the position of holding for its own account or as nominee for others Preferred Shares subject to Tender and Dividend Reset in a Remarketing at the time it determines the Applicable Dividend Rate in such Remarketing and may tender such shares in such Remarketing.

Applicable Dividend Rates. By 3:00 p.m. New York City time, on each Remarketing Date, the Remarketing Agent will determine the Applicable Dividend Rate to the nearest one-thousandth (0.001) of one percent per annum for the next 28-day Dividend Period (in the case of Series A Preferred Shares) or 7-day Dividend Period (in the case of Series B Preferred Shares and Series C Preferred Shares) or, if designated, a Special Dividend Period. The Applicable Dividend Rate for Preferred Shares will be determined by the Remarketing Agent in its sole discretion and will be conclusive and binding on the fund and all beneficial owners of Preferred

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Shares. In determining such Applicable Dividend Rate, the Remarketing Agent will, after taking into account market conditions as reflected in the prevailing dividend yields on fixed and variable rate taxable and tax-exempt debt securities and the prevailing dividend yields of fixed and variable rate preferred stocks determined for the purpose of providing non-binding indications of the Applicable Dividend Rates to beneficial owners and potential purchasers of Preferred Shares, (i) consider the number of Preferred Shares tendered in the applicable Remarketing and the number of Preferred Shares prospective purchasers are willing to purchase and (ii) contact by telephone or otherwise current and prospective beneficial owners of the Preferred Shares subject to Tender and Dividend Reset to ascertain the dividend rates at which they would be willing to hold such shares.

If no Applicable Dividend Rate shall have been established on a Remarketing Date for the next 28-day Dividend Period (in the case of Series A Preferred Shares), 7-day Dividend Period (in the case of Series B Preferred Shares and Series C Preferred Shares), or Special Dividend Period, if any, for any reason (other than because there is no Remarketing Agent, the Remarketing Agent is not required to conduct a Remarketing pursuant to the terms of the Remarketing Agreement or the Remarketing Agent is unable to remarket on the Remarketing Date all Preferred Shares tendered (or deemed tendered) to it at a price of \$50,000 per share (in the case of Series A Preferred Shares) or \$25,000 per share (in the case of Series B Preferred Shares and Series C Preferred Shares)), then the Remarketing Agent, in its sole discretion, shall, if necessary and except during a Non-Payment Period, after taking into account market conditions as reflected in the prevailing yields on fixed and variable rate taxable and tax-exempt debt securities and the prevailing dividend yields of fixed and variable rate preferred stock, determine the Applicable Dividend Rate that would be the rate per annum that would be the initial dividend rate fixed in an offering on such Remarketing Date, assuming in each case a comparable dividend period, issuer and security. If a Remarketing for Preferred Shares does not take place because there is no Remarketing Agent, the Remarketing Agent is not required to conduct a Remarketing or the Remarketing Agent is unable to remarket in the Remarketing all such Preferred Shares tendered (or deemed tendered) to it at a price of \$50,000 per share (in the case of Series A Preferred Shares) or \$25,000 (in the case of Series B Preferred Shares and Series C Preferred Shares), then, except during a Non-Payment Period, the Applicable Dividend Rate for the subsequent Dividend Period for such shares will be the applicable Maximum Dividend Rate for a 28-day Dividend Period (in the case of Series A Preferred Shares) or 7-day Dividend Period (in the case of Series B Preferred Shares and Series C Preferred Shares) and such subsequent Dividend Period shall be a 28-day Dividend Period (in the case of Series A Preferred Shares) or a 7-day Dividend Period (in the case of Series B Preferred Shares and Series C Preferred Shares).

Except during a Non-Payment Period, the Applicable Dividend Rate for any Dividend Period for Preferred Shares will not be more than the Maximum Dividend Rate applicable to such shares.

The Maximum Dividend Rate for Preferred Shares will be the Applicable Percentage of the Reference Rate. The Remarketing Agent will round each Maximum Dividend Rate to the nearest one-thousandth (0.001) of one percent per annum, with any such number ending in five ten-thousandths (0.0005) of one percent being rounded upwards to the nearest one-thousandth (0.001) of one percent. The Remarketing Agent will not round the applicable Reference Rate as part of its calculation of any Maximum Dividend Rate.

Allocation of Shares; Failure to Remarket. If, in a Remarketing of the Preferred Shares, the Remarketing Agent is unable to remarket by 3:00 p.m., New York City time, on the Remarketing Date all Preferred Shares tendered to it in such Remarketing at a price of \$50,000 per share (in the case of Series A Preferred Shares) or \$25,000 (in the case of Series B Preferred Shares and Series C Preferred Shares), (i) each beneficial owner that tendered shares for sale will sell a number of Preferred Shares on a pro rata basis, to the extent practicable, or by lot, as determined by the Remarketing Agent in its sole discretion, based on the number of orders to purchase Preferred Shares in such Remarketing, and (ii) the Applicable Dividend Rate for the next Dividend Period will be the Maximum Dividend Rate for a 28-day Dividend Period (in the case of Series A Preferred Shares) or 7-day Dividend Period (in the case of Series B Preferred Shares and Series C Preferred Shares).

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If the allocation procedures described above would result in the sale of a fraction of a Preferred Share, the Remarketing Agent will, in its sole discretion, round up or down the number of Preferred Shares sold by each beneficial owner on the applicable Remarketing Date so that each share sold by each beneficial owner shall

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be a whole Preferred Share, and the total number of shares sold equals the total number of shares purchased on such Remarketing Date.

Notification of Results; Settlement. By telephone at approximately 3:30 p.m., New York City time, on each Remarketing Date with respect to Preferred Shares, the Remarketing Agent will advise each beneficial owner of tendered Preferred Shares and each purchaser thereof (or the Agent Member thereof) (i) of the number of shares such beneficial owner or purchaser is to sell or purchase and (ii) to give instructions to its Agent Member to deliver such shares against payment therefor or to pay the purchase price against delivery as appropriate. The Remarketing Agent will also advise each beneficial owner or purchaser that is to continue to hold, or to purchase, shares with a Dividend Period beginning on the Business Day following such Remarketing Date of the Applicable Dividend Rate.

The transactions described above will be executed on the Settlement Date through the Securities Depository in accordance with the Securities Depository's procedures, and the accounts of the respective Agent Members of the Securities Depository will be debited and credited and shares delivered by book entry as necessary to effect the purchases and sales of Preferred Shares, in each case as determined in the related Remarketing. Purchasers of Preferred Shares will make payment through their Agent Members in same-day funds to the Securities Depository against delivery by book entry of Preferred Shares through their Agent members. The Securities Depository will make payment in accordance with its procedures, which currently provide for payment in same-day funds. If the certificates for Preferred Shares are not held by the Securities Depository or its nominee, payment with respect to such shares will be made in same-day funds to the Paying Agent against delivery of such certificates.

If any beneficial owner selling Preferred Shares in a Remarketing fails to deliver such shares, the Agent Member of such selling beneficial owner and of any other person that was to have purchased Preferred Shares in such Remarketing may deliver to any such other person a number of whole Preferred Shares that is less than the number of shares that otherwise was to be purchased by such person. In such event, the number of Preferred Shares to be so delivered will be determined by such Agent Member. Delivery of such lesser number of Preferred Shares will constitute good delivery of such number of shares.

As long as the Securities Depository or Cede or any other nominee therefor holds the certificate or certificates representing the Preferred Shares, no share certificates will need to be delivered by any selling beneficial owner to reflect any transfer of Preferred Shares effected in a Remarketing.

The Remarketing Agent may, in its sole discretion, modify the settlement procedures set forth above with respect to any Remarketing of Preferred Shares so long as any such modification does not adversely affect any holders of such shares.

Redemption

Optional Redemption. The fund may at its option, to the extent permitted by the 1940 Act and after giving the requisite Notice of Redemption, redeem shares of any series of Preferred Shares, in whole or in part, on the next succeeding scheduled Dividend Payment Date applicable to those Preferred Shares called for redemption, out of funds legally available therefor, at the Optional Redemption Price per share; provided that no Preferred Share may be redeemed at the option of the fund during (i) the Initial Dividend Period with respect to such share or (ii) a Non-Call Period to which such share is subject; provided further that optional redemptions pursuant to this paragraph shall not cause the fund to fail to maintain S&P Eligible Assets and Moody's Eligible Assets with an aggregate Discounted Value at least equal to the Preferred Shares Basic Maintenance Amount or the 1940 Act Preferred Shares Asset Coverage (an *Optional Redemption*). For so long as S&P rates any series of the Preferred Shares, the fund may not give a Notice of Redemption relating to an optional redemption as described in this paragraph unless, at the time of giving such Notice of Redemption, the fund has available Deposit Securities with maturity or tender dates not later than the day preceding the applicable redemption date and having a Discounted Value not less than the amount due by reason of the redemption of Preferred Shares of such series on such redemption date.

Mandatory Redemption. The fund will be required to redeem, out of funds legally available thereof, at the Mandatory Redemption Price, certain of the Preferred Shares, to the extent permitted under the 1940 Act, if the fund fails to maintain S&P Eligible Assets and Moody's Eligible Assets with an aggregate Discounted Value at least equal to the Preferred Shares Basic Maintenance Amount or the 1940 Act Preferred Shares Asset Coverage and such failure is not cured on or before the Preferred Shares Basic Maintenance Cure Date or the 1940 Act Cure Date (herein referred to as a

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Cure Date), as the case may be (a Mandatory Redemption). The number of Preferred Shares to be redeemed will be equal to the lesser of (a) the minimum number of Preferred Shares the redemption of which, if deemed to have occurred immediately prior to the opening of business on such Cure Date, together with all other shares of beneficial interest of the fund having preference rights subject to redemption or retirement, would result in the satisfaction of the Preferred Shares Basic Maintenance Amount or the 1940 Act Preferred Shares Asset Coverage, as the case may be, on such Cure Date (provided that, if there is no such minimum number of shares of all series of Preferred Shares the redemption of which would have such result, all shares of all series of Preferred Shares then outstanding will be redeemed), and (b) the maximum number of Preferred Shares, together with all other shares of beneficial interest of the fund having preference rights subject to redemption and retirement, that can be redeemed out of funds expected to be legally available therefor. In determining the number of Preferred Shares required to be redeemed in accordance with the foregoing, the fund shall allocate the number required to be redeemed to satisfy the Preferred Shares Basic Maintenance Amount or the 1940 Act Preferred Shares Asset Coverage, as the case may be, pro rata among shares of all series of Preferred Shares and other shares of beneficial interest having preference rights subject to redemption and retirement provisions similar to those contained in this paragraph.

The fund is required to effect such a Mandatory Redemption not later than 35 days after such Cure Date, except that if the fund does not have funds legally available for the redemption of all of the required number of Preferred Shares which are subject to Mandatory Redemption or the fund otherwise is unable to effect such redemption on or prior to 35 days after such Cure Date, the fund will redeem those Preferred Shares which it was unable to redeem on the earliest practicable date on which it is able to effect such redemption.

Any Preferred Share will be subject to Mandatory Redemption regardless of whether such share is subject to a Non-Call Period, provided that Preferred Shares subject to a Non-Call Period will only be subject to redemption to the extent that other Preferred Shares (not subject to a Non-Call Period) are not available to satisfy the number of shares required to be redeemed. In such event, such shares subject to a Non-Call Period will be selected for redemption in an ascending order of outstanding Non-Call Period (with shares with the lowest number of days remaining in the Non-Call Period to be called first) and by lot in the event of shares having equal outstanding Non-Call Periods.

Allocation. If fewer than all the outstanding Preferred Shares are to be redeemed, the number of Preferred Shares to be so redeemed will be a whole number of shares and will be determined by the Trustees (subject to the provisions described above under Redemption), provided that (i) no such Preferred Share will be subject to optional redemption on any Dividend Payment Date during a Non-Call Period to which it is subject and (ii) Preferred Shares subject to a Non-Call Period will be subject to Mandatory Redemption on the basis described above under Redemption. Unless certificates representing Preferred Shares are held by holders other than the Securities Depository or its nominee, the Securities Depository, upon receipt of such Notice of Redemption, will determine by lot (or otherwise in accordance with procedures in effect at that time) the number of Preferred Shares to be redeemed from the account of each Agent Member (which may include an Agent Member, including the Remarketing Agent, holding shares for its own account) and notify the Paying Agent of such determination. The Paying Agent, upon receipt of such notice, will in turn determine by lot the number of shares of each series of Preferred Shares to be redeemed from the accounts of the beneficial owners of the shares whose Agent Members have been selected by the Securities Depository and give notice to the Remarketing Agent. In doing so, the Paying Agent may determine that shares will be redeemed from the accounts of some beneficial owners, which may include the Remarketing Agent, without shares being redeemed from the accounts of other beneficial owners. Notwithstanding the foregoing, if any certificates representing Preferred Shares are not held by the Securities Depository or its nominee, the Preferred Shares to be redeemed will be selected by the Paying Agent by lot.

Notice of Redemption. Any Notice of Redemption with respect to Preferred Shares will be given by the fund via telephone to the Paying Agent, the Securities Depository (and any other registered holder of such shares) and the Remarketing Agent not later than 1:00 p.m., New York City time (and later confirmed in writing), (i) in the case of an optional redemption, not less than 20 nor more than 30 days prior to the earliest date upon which any such redemption may occur and, (ii) in the case of a mandatory redemption, not less than 20 nor more than 30 days prior to the redemption date established by the Trustees and specified in such notice. In the case of a partial redemption, the Paying

Agent will use its reasonable efforts to provide telephonic notice to each beneficial owner of Preferred Shares called for redemption not later than the close of business on the Business Day on which the Paying Agent determines the shares to be redeemed (as described above) (or, during a Non-Payment Period with respect to such shares, not later than the close of business on the Business Day immediately following the day on which the Paying Agent receives Notice of Redemption from the fund). Such telephonic notice will be confirmed promptly in writing to each such beneficial owner of Preferred Shares called for redemption, the Remarketing Agent and the Securities Depository not later than the close of business on the Business Day immediately following the day on which the Paying Agent determines the shares to be redeemed. In the case of a redemption in whole, the Paying Agent will use its reasonable efforts to provide telephonic notice to each beneficial owner of Preferred Shares called for redemption not later than the close of business on the Business Day immediately following the day on which the Paying Agent receives a Notice of Redemption from the fund. Such telephonic notice will be confirmed promptly in writing to each beneficial owner of Preferred Shares called for redemption, the Remarketing Agent and the Securities Depository not later than the close of business on the second

Business Day following the day on which the Paying Agent receives notice of redemption.

Every Notice of Redemption and other redemption notice with respect to the Preferred Shares will state: (i) the redemption date, (ii) the number of Preferred Shares to be redeemed, (iii) the redemption price, (iv) that dividends on the Preferred Shares to be redeemed will cease to accumulate as of such redemption date, and (v) the provision of the Agreement and Declaration of Trust or the Bylaws pursuant to which such Preferred Shares as are being redeemed. In addition, Notice of Redemption given to a beneficial owner by the Paying Agent shall state the CUSIP number, if any, of the Preferred Shares to be redeemed and the manner in which the beneficial owner of such shares may obtain payment of the redemption price. No defect in the Notice of Redemption or other redemption notice or in the transmittal or the mailing thereof will affect the validity of the redemption proceedings, except as required by applicable law. The Paying Agent will use its reasonable efforts to cause the publication of a Notice of Redemption in an Authorized Newspaper within two Business Days of the date of the Notice of Redemption, but failure so to publish such notification will not affect the validity or effectiveness of any such redemption proceedings.

Other Redemption Procedures. To the extent that any redemption for which Notice of Redemption has been given is not made by reason of the absence of legally available funds therefor, such redemption will be made as soon as practicable to the extent such funds become available. Failure to redeem Preferred Shares will be deemed to exist at any time after the date specified for redemption in a Notice of Redemption when the fund shall have failed, for any reason whatsoever, to deposit with the Paying Agent funds with respect to any shares for which such Notice of Redemption has been given.

Upon the giving of Notice of Redemption and the deposit of sufficient funds necessary for such redemption with the Paying Agent, the Preferred Shares called for redemption shall no longer be deemed outstanding for any purpose and all rights of the holders of the shares so called for redemption will cease and terminate, except the right of the holders thereof to receive the Optional Redemption Price or Mandatory Redemption Price, as the case may be, but without any interest or other additional amount (except for Additional Dividends described above under *Dividends and Dividend Periods* *Additional Dividends*). The fund will be entitled to receive from the Paying Agent, promptly after the date fixed for redemption, any cash deposited with the Paying Agent in excess of (i) the aggregate redemption price of the Preferred Shares called for redemption on such date and (ii) all other amounts to which holders of Preferred Shares called for redemption may be entitled. The fund will be entitled to receive, from time to time after the date fixed for redemption, any interest on the funds so deposited. Any funds that are unclaimed at the end of 90 days from such redemption date will, to the extent permitted by law, be repaid to the fund, after which time the holders of Preferred Shares so called for redemption will look only to the fund for payment of the redemption price and all other amounts to which they may be entitled. So long as S&P rates an series of Preferred Shares, if any such unclaimed funds are repaid to the fund, the fund shall invest such unclaimed funds in Deposit Securities with a maturity of no more than one Business Day until such time as there are no unclaimed funds.

Except as described above with respect to redemptions, nothing contained in the Bylaws limits any legal right of the fund or any affiliate of the fund to purchase or otherwise acquire any Preferred Shares at any price.

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Any Preferred Shares which have been redeemed, purchased or otherwise acquired by the fund or any affiliate thereof may be resold if, after the resale, the fund has Moody's Eligible Assets with an aggregate Discounted Value equal to or greater than the Preferred Shares Basic Maintenance Amount.

The fund has the right in certain circumstances to arrange for others to purchase from the holders thereof Preferred Shares which are to be redeemed as described above.

The Remarketing Agent may, in its sole discretion, modify the procedures concerning notification of redemption described above with respect to Preferred Shares so long as any such modification does not adversely affect the holders of the Preferred Shares or materially alter the obligation of the Paying Agent without obtaining its consent and so long as the fund receives written confirmation from S&P or Moody's that any such modifications would not impair the ratings then assigned by S&P or Moody's to the Preferred Shares.

Liquidation/Bankruptcy

Upon a liquidation, dissolution or winding up of the affairs of the fund, whether voluntary or involuntary, the holders of Preferred Shares then outstanding will be entitled, whether from capital or surplus, before any assets of the fund will be distributed among or paid over to the holders of the common shares or any other class or series of shares of the fund ranking junior to the Preferred Shares as to liquidation payments, to be paid the amount of \$50,000 per share (in the case of Series A Preferred Shares) and \$25,000 per share (in the case of Series B Preferred Shares and Series C Preferred Shares), as the case may be, plus an amount equal to accumulated but unpaid dividends thereon (whether or not earned or declared) to but excluding the date of final distribution, in same-day funds. After any such payment, the holders of Preferred Shares will not be entitled to any further participation in any distribution of assets of the fund, except to the extent that they may be entitled to Additional Dividends to the extent provided above in *Dividends and Dividend Periods* *Additional Dividends*. If, upon any such liquidation, dissolution or

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winding up of the fund, the assets of the fund shall be insufficient to make such full payments to the holders of Preferred Shares and to the holders of any shares of beneficial interest of the fund having preference rights ranking as to liquidation, dissolution or winding up on a parity with the Preferred Shares, then such assets will be distributed among the holders of Preferred Shares and such parity holders ratably in accordance with the respective amounts which would be payable on such Preferred Shares and any other such preferred shares if all amounts thereof were paid in full. Neither the consolidation nor the merger of the fund with or into any entity or entities nor a reorganization of the fund alone nor the sale, lease or transfer by the fund of all or substantially all of its assets shall be deemed to be a dissolution or liquidation of the fund.

Voting Rights

Except as indicated in this Appendix C or except as expressly required by applicable law, the Agreement and Declaration of Trust or Bylaws, each holder of Preferred Shares and, each holder of common shares shall be entitled to one vote for each share held on each matter submitted to a vote of shareholders of the fund, and the holders of outstanding Preferred Shares and of common shares shall vote together as a single class.

Holders of Preferred Shares, voting as a class, will be entitled to elect two of the fund's Trustees, each Preferred Share entitling the holder thereof to one vote, and the remaining Trustees will be elected by holders of the common shares and the Preferred Shares voting together as a single class. If at any time (i) accumulated dividends (whether or not earned or declared, and whether or not funds are then legally available in an amount sufficient therefor) on the fund's outstanding Preferred Shares equal to at least two full years' dividends thereon shall be due and unpaid and sufficient cash or securities shall not have been deposited with the Paying Agent for the payment of such accumulated dividends, or (ii) holders of preferred shares of the fund (other than the Preferred Shares) are entitled to elect a majority of the Trustees of the fund, then the number of Trustees shall automatically be increased by the smallest number that, when added to the two Trustees elected exclusively by the holders of Preferred Shares as described above, would constitute a majority of the Trustees as so increased and at a special meeting of shareholders which will be called and held as soon as practicable, and at all subsequent meetings at which Trustees are to be elected, the holders of Preferred Shares, voting as a separate class, will be entitled to elect the smallest number of additional Trustees that, together with the two Trustees which such holders will be in any event entitled to elect, constitutes a majority of the total number of Trustees of the fund as so increased. The terms of office of the persons who are Trustees at the time of that election will continue. If the fund thereafter shall pay, or declare and set apart for

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payment, in full all dividends payable on all outstanding Preferred Shares for all past Dividend Periods, the voting rights stated in the preceding sentence shall cease (subject always to revesting in the event of the further occurrence of the circumstances described above), and the terms of office of all the additional Trustees elected by the holders of Preferred Shares (but not of the Trustees with respect to whose election the holders of common shares were entitled to vote along with the holders of Preferred Shares or the two Trustees the holders of Preferred Shares have the right to elect in any event) will terminate automatically.

The affirmative vote of the holders of a majority of the outstanding Preferred Shares, voting separately as a class, would be required to (i) authorize, create or issue, increase or decrease the authorized or issued amount of, any class or series of shares of beneficial interest ranking prior to or on a parity with the Preferred Shares with respect to payment of dividends or the distribution of assets on liquidation, or increase or decrease the number of authorized Preferred Shares; (ii) amend, alter or repeal any of the provisions of the fund's Agreement and Declaration of Trust and the Bylaws so as to affect materially and adversely any preference, right or power of such Preferred Shares or the holders thereof; or (iii) take any other action requiring a vote of security holders under Section 18(a)(2)(D) of the 1940 Act including, among other things, changes in the investment restrictions of the fund. The foregoing voting provisions will not apply if, at or prior to the time when the vote is required, all outstanding Preferred Shares shall have been redeemed or shall no longer be deemed to be outstanding.

Repurchase of Shares

Shares of closed-end investment companies often trade at a discount to their net asset values, and the fund's common shares may likewise trade at a discount to their net asset value. The market price of the fund's common shares will be determined by such factors as relative demand for and supply of such common shares in the market, the fund's net asset value, general market and economic conditions, and other factors beyond the control of the fund. Although the fund's common shareholders will not have the right to redeem their shares, the fund may take action to repurchase common shares in the open market or make tender or repurchase offers for its common shares at their net asset value. This may have the effect of reducing any market discount from net asset value. The fund's ability to repurchase or to tender for its common shares may be limited by asset coverage requirements and other restrictions in respect of the Preferred Shares outstanding at the time. There is no assurance that if action is undertaken to repurchase or tender for common shares, that such action will result in the common shares trading at a price which approximates their net asset value. Although common share repurchases and tenders could have a favorable effect on the market price of the fund's common shares, it should be recognized that the acquisition of common shares by the fund will decrease the total assets of the fund and, therefore, have the effect of increasing the fund's expense ratio. Any common share repurchases or tender offers will be made in accordance with requirements of the Securities Exchange Act of 1934, as amended, and the 1940 Act. If the fund were to make a tender or repurchase offer for its

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common shares, shareholders would receive any notice thereof required by applicable law, including any required information describing the offer and the means by which shareholders might submit their common shares.

Ratings

It is a condition of the merger that the Preferred Merger Shares be issued with a rating of Aaa from Moody's and AAA from S&P.

Rating Agency Guidelines

The composition of the fund's portfolio will reflect guidelines established by Moody's and S&P in connection with the fund's receipt of a rating for such shares on their date of original issue of at least Aaa by Moody's and AAA by S&P. The credit ratings of Preferred Shares could be reduced while an investor holds Preferred Shares. A decrease in the rating of the Preferred Shares may reflect a reduction in the fund's ability to pay dividends and/or the redemption price and liquidation value in respect of the Preferred Shares in accordance with the terms of the Preferred Shares. Moody's and S&P, nationally recognized statistical rating organizations, issue ratings for various securities reflecting the perceived creditworthiness of such securities. The guidelines described under Asset Maintenance and in Exhibit C-2 have been developed by Moody's and S&P in connection with issuances of asset-backed and similar securities, including debt obligations and variable rate preferred stocks, generally on a case-by-case basis through discussions with the issuers of these securities. The guidelines are generally designed to ensure that assets underlying outstanding debt or preferred stock will be sufficiently varied and will be of sufficient quality and amount to justify investment-grade ratings. The guidelines do not have

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the force of law but have been adopted by the fund in order to satisfy current requirements necessary for Moody's and S&P to issue the above-described ratings for Preferred Shares, which ratings are generally relied upon by institutional investors in purchasing such securities. The guidelines include a set of tests for portfolio composition and asset coverage that supplement (and in some cases are more restrictive than) the applicable requirements under the 1940 Act.

In addition, the fund is prohibited from engaging in the following transactions unless it has received written confirmation from Moody's and S&P that any such action would not impair the ratings then assigned by Moody's and S&P to Preferred Shares: (i) borrow any money except as may be necessary for the clearance of purchases and sales of portfolio securities and which borrowings shall be repaid within 60 days and not be extended or renewed (provided that no such borrowing will be permitted unless the fund, after giving effect to such borrowing maintains Moody's Eligible Assets and S&P Eligible Assets at least equal to the Preferred Shares Basic Maintenance Amount); (ii) lend portfolio securities; (iii) designate a new Pricing Service; (iv) engage in short sales; (v) merge or consolidate with any other entity; (vi) engage in reverse repurchase agreements; or (vii) issue a class or series of shares of beneficial interest ranking prior to or on a parity with Preferred Shares with respect to payment of dividends or the distribution of assets on liquidation. The fund must also give Moody's and S&P prompt written notice of the following circumstances: (i) any change in the Agreement and Declaration of Trust or Article 12 (Shares of Beneficial Interest) of the Bylaws; (ii) any failure to declare or pay any dividend on the Preferred Shares; (iii) any mandatory Redemption or optional Redemption; (iv) any assumption of control of the Trustees by the holders of Preferred Shares pursuant to the voting rights described above under Voting ; (v) in the event the fund shall not be a party to a pricing services agreement and dealer quotes on assets are not available; (vi) in the event that the Applicable Dividend Rate equals or exceeds 95% of the applicable Reference Rate; (vii) any person owning of record more than 5% of the fund's common shares; (viii) a change in IRS rules on Additional Dividends relating to the operation of the fund; or (ix) Putnam Management is no longer the fund's investment adviser.

Asset Maintenance

The fund will be required to satisfy a number of asset maintenance requirements under the terms of the Bylaws. These requirements are summarized below.

1940 Act Preferred Shares Asset Coverage. The fund will be required under the Bylaws to maintain as of the last Business Day of each month in which any Preferred Shares are outstanding, asset coverage of at least 200% with respect to outstanding senior securities which are shares, including the Preferred Shares (or such other asset coverage as may in the future be specified in or under the 1940 Act as the minimum asset coverage for senior securities which are shares of a closed-end investment company as a condition of paying dividends on its common shares) (1940 Act Preferred Shares Asset Coverage). If the fund fails to maintain 1940 Act Preferred Shares Asset Coverage and such failure is not cured as of the last Business Day of the month following the date of such failure (the 1940 Act Cure Date), the fund will be required under certain circumstances to redeem certain of the Preferred Shares. See Redemption.

Preferred Shares Basic Maintenance Amount. In connection with their respective ratings of the Preferred Shares, Moody's and S&P have each established asset coverage guidelines which are incorporated into the Bylaws to ensure the payment of the liquidation preference and the fund's

other obligations in respect of its outstanding Preferred Shares. These guidelines require the fund among other things to maintain investment-grade assets with a value (discounted in accordance with each rating agency's guidelines) equal to the Preferred Shares Basic Maintenance Amount. These guidelines impose restrictions on the securities in which the fund may invest, limit the fund's use of futures, options and forward commitments, and prohibit the use of borrowing for leverage and the fund's entering into short sales, securities lending and reverse repurchase agreements. These requirements are explained in greater detail in Exhibit C-2. If the fund fails to meet such requirements and such failure is not cured, the fund will be required under certain circumstances to redeem some or all of the Preferred Shares. See Redemption.

General. The fund may, but is not required to, adopt any modifications to these guidelines that may hereafter be established by Moody's or S&P. Failure to adopt any such modifications, however, may result in a change in the ratings described above or a withdrawal of ratings altogether. In addition, any rating agency providing a rating for the Preferred Shares may, at any time, change or withdraw any such rating. As set forth in the Bylaws, the Trustees may, without shareholder approval, modify certain definitions or restrictions which have been adopted by the fund pursuant to the rating agency

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guidelines, provided in certain cases the Trustees have obtained written confirmation from Moody's and S&P that any such change would not impair the ratings then assigned by Moody's and S&P to the Preferred Shares. As described by Moody's and S&P, a preferred stock rating is an assessment of the capacity and willingness of an issuer to pay preferred stock obligations. The ratings on the Preferred Shares are not recommendations to purchase, hold or sell Preferred Shares, inasmuch as the ratings do not comment as to market price or suitability for a particular investor. Nor do the rating agency guidelines address the likelihood that a holder of Preferred Shares will be able to sell such shares in a Remarketing. The ratings are based on current information furnished to Moody's and S&P by the fund and Putnam Management and information obtained from other sources. The outstanding Preferred Shares are rated AAA by S&P and Aaa by Moody's. The ratings may be changed, suspended or withdrawn as a result of changes in, or the unavailability of, such information. The fund's common shares have not been rated by a nationally recognized statistical rating organization.

Taxation of Preferred Shares

The following is a summary of some of the important tax considerations applicable to investments in Preferred Shares of Municipal Opportunities Trust. See Information about the Funds Taxation in the Prospectus/Proxy for a discussion of other important tax considerations generally applicable to investments in Municipal Opportunities Trust. If for any reason it is determined after the payment of any dividend that a portion of that dividend was subject to federal income tax, Municipal Opportunities Trust will not be required to pay any additional amount to compensate for any tax payable on the dividend (other than Additional Dividends payable under the circumstances described in this Appendix C). The federal income tax consequences of Additional Dividends under existing law are uncertain. For example, it is unclear how Additional Dividends will be treated under the rules in Subchapter M of the Code applicable to dividends paid following the close of a taxable year in respect of a prior year's income. Municipal Opportunities Trust intends to treat such Additional Dividends as paid during such prior taxable year for purposes of the rules governing Municipal Opportunities Trust's treatment of such dividends, and to treat a holder as receiving a dividend distribution in the amount of any Additional Dividend only as and when such Additional Dividend is paid. Municipal Opportunities Trust will generally designate Additional Dividends as exempt-interest dividends to the extent it determines such designation is consistent with the allocation principles, as described in Advance Notice of Allocation of Taxable Income; Inclusion of Taxable Income in Dividend. However, the IRS may assert that all or part of an Additional Dividend is a taxable dividend either in the taxable year in which the dividend or dividends to which the Additional Dividend relates, was paid, or in the taxable year in which the Additional Dividend is paid. Municipal Opportunities Trust will not be required to pay any additional amount if it is determined that its treatment of Additional Dividends was improper. Existing authorities do not specifically address whether dividends (including possible Additional Dividends) that are paid following the close of a taxable year, but that are treated for tax purposes as derived from the income of such prior taxable year, are treated as dividends paid during such prior taxable year for purposes of determining each class's proportionate share of a particular type of income. Municipal Opportunities Trust currently intends to treat such dividends as having been paid in the prior taxable year for purposes of determining each class's proportionate share of a particular type of income with respect to such prior taxable year. Existing authorities also do not specifically address the allocation of taxable income among the dividends paid to holders of a class of shares during or with respect to a taxable year. It is possible that the IRS could disagree with the fund's position concerning the treatment of dividends paid after the close of a taxable year or with the fund's method of allocation, in which case the IRS could attempt to recharacterize a portion of the dividends paid to the holders of preferred shares and designated by the Fund as exempt-interest dividends as consisting instead of capital gains or other taxable income. If the IRS were to prevail with respect to any such attempted recharacterization, holders of preferred shares could be subject to tax on amounts so recharacterized and the fund could be subject to federal income and excise tax. In such event, no additional amounts (including Additional Dividends) would be paid by Municipal Opportunities Trust with respect to dividends so recharacterized to compensate for any additional tax owed by holders of Preferred Shares. If, in connection with the selection of a Long-Term Dividend Period, (i) Municipal Opportunities Trust provides that a Premium Call Period will follow a Non-Call Period, (ii) based on all the facts and circumstances at the time of the designation of the Long-Term Dividend Period, Municipal Opportunities Trust is more likely than not to redeem the Preferred Shares during the Premium

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Call Period, and (iii) the premium to be paid upon redemption during the Premium Call Period exceeds a reasonable penalty for early redemption, it is possible that the holders of Preferred Shares will be required to accrue such premium as a dividend (to the extent of Municipal Opportunities Trust's earnings and profits) over the term of the Non-Call Period.

Glossary

AA Composite Commercial Paper Rate on any date of determination, means (i) the Interest Equivalent of the rate on commercial paper placed on behalf of issuers whose corporate bonds are rated AA by S&P or Aa by Moody's or the equivalent of such rating by another nationally recognized rating agency, as such rate is made available on a discount basis or otherwise by the Federal Reserve Bank of New York for the Business Day immediately preceding such date, or (ii) in the event that the Federal Reserve Bank of New York does not make available such a rate, then the arithmetic average of the Interest Equivalent of the rate on commercial paper placed on behalf of such issuers, as quoted on a discount basis or otherwise by the Commercial Paper Dealers to the Remarketing Agent for the close of business on the Business Day immediately preceding such date. If one of the Commercial Paper Dealers does not quote a rate required to determine the AA Composite Commercial Paper Rate, the AA Composite Commercial Paper Rate will be determined on the basis of the quotation or quotations furnished by any Substitute Commercial Paper Dealer or Substitute Commercial Paper Dealers selected by the fund to provide such rate or rates not being supplied by the Commercial Paper Dealer. If the number of Dividend Period days (in each case determined without regard to any adjustment in the length of a Dividend Period or in the remarketing schedule in respect of non-Business Days) shall be (i) 7 or more days but fewer than 49 days, such rate shall be the Interest Equivalent of the 30-day rate on such commercial paper, (ii) 49 or more days but fewer than 70 days, such rate shall be the Interest Equivalent of the 60-day rate on such commercial paper, (iii) 70 or more days but fewer than 85 days, such rate shall be the arithmetic average of the Interest Equivalent of the 60-day and 90-day rates on such commercial paper, (iv) 85 or more days but fewer than 99 days, such rate shall be the Interest Equivalent of the 90-day rate on such commercial paper, (v) 99 or more days but fewer than 120 days, such rate shall be the arithmetic average of the Interest Equivalent of the 90-day and 120-day rates on such commercial paper; (vi) 120 or more days but fewer than 141 days, such rate shall be the Interest Equivalent of the 120-day rate on such commercial paper, (vii) 141 or more days but fewer than 162 days, such rate shall be the arithmetic average of the Interest Equivalent of the 120-day and 180-day rates on such commercial paper, and (viii) 162 or more days but fewer than 183 days, such rate shall be the Interest Equivalent of the 180-day rate on such commercial paper.

Accountant's Confirmation has the meaning set forth in Exhibit C-2.

Additional Dividend has the meaning set forth on page C-10 of this Appendix C.

Agent Member means a member of the Securities Depository that will maintain records for a beneficial owner of one or more Preferred Shares.

Agreement and Declaration of Trust means the Agreement and Declaration of Trust of Municipal Opportunities Trust, as amended from time to time.

Alternate Treasury Bill Rate on any date means the Interest Equivalent of the yield as calculated by reference to the arithmetic average of the bid price quotations of the actively traded Treasury Bill with a maturity most nearly comparable to the length of the related Dividend Period, as determined by bid price quotations as of any time on the Business Day immediately preceding such date, obtained from at least three recognized primary U.S. Government securities dealers selected by the Remarketing Agent.

Alternate Treasury Note Rate on any date means the yield as calculated by reference to the arithmetic average of the bid price quotations of the actively traded, current coupon Treasury Note with a maturity most nearly comparable to the length of the related Dividend Period, as determined by the bid price quotations as of any time on the Business Day immediately preceding such date, obtained from at least three recognized primary U.S. Government securities dealers selected by the Remarketing Agent.

Anticipation Notes shall mean the following Municipal Bonds: revenue anticipation notes, tax anticipation notes, tax and revenue anticipation notes, grant anticipation notes and bond anticipation notes.

Applicable Dividend Rate means the rate of dividend per annum that (i) except for a Dividend Period commencing during a Non-Payment Period, will be equal to the lower of the rate of dividend per annum that the Remarketing Agent advises results on the Remarketing Date preceding the first day of such Dividend Period

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from implementation of the remarketing procedures set forth in the Bylaws and the Maximum Dividend Rate or (ii) for each Dividend Period commencing during a Non-Payment Period, will be equal to the Non-Payment Period Rate.

Applicable Percentage has the meaning described on page C-10 of this Appendix C.

Authorized Newspaper means a newspaper of general circulation in the English language generally published on Business Days in The City of New York.

A beneficial owner means a person that is listed as the beneficial owner of one or more Preferred Shares in the records of the Paying Agent or, with respect to any Preferred Share not registered in the name of the Securities Depository on the share transfer books of the Fund, the person in whose name such share is so registered.

Business Day means a day on which the New York Stock Exchange, Inc. is open for trading, and which is not a day on which banks in The City of New York are authorized or obligated by law to close.

Bylaws means the Bylaws of Municipal Opportunities Trust, as amended from time to time.

Cede means Cede & Co., the nominee of DTC in whose name the Preferred Shares initially will be registered.

Closing Transaction means the termination of a futures contract or option position by taking a position opposite thereto.

Code means the Internal Revenue Code of 1986, as amended.

Commercial Paper Dealers means Merrill Lynch, Pierce, Fenner & Smith, Incorporated and such other commercial paper dealers as the fund may from time to time appoint, or in lieu of any thereof, their respective affiliates or successors.

Commission means the Securities and Exchange Commission.

Cure Date has the meaning set forth on page C-18 of this Appendix C.

Date of Original Issue means, with respect to any Preferred Merger Shares, the date on which the merger is consummated.

Deposit Securities means cash and Municipal Bonds rated at least AAA, A-1+ or SP-1+ by S&P.

Discount Factor means a Moody's Discount Factor or an S&P Discount Factor, as the case may be.

Discounted Value means (i) with respect to an S&P Eligible Asset, the quotient of the Market Value thereof divided by the applicable S&P Discount Factor and (ii) with respect to a Moody's Eligible Asset, the lower of par and the quotient of the Market Value thereof divided by the applicable Moody's Discount Factor. **Dividend Payment Date** has the meaning set forth on page C-7 of this Appendix C.

Dividend Period has the meaning set forth on page C-5 and of this Appendix C.

DTC means The Depository Trust Company.

Forward Commitments has the meaning set forth in Exhibit C-2.

Gross-Up Tax Rate has the meaning set forth on page C-11 of this Appendix C.

A holder of Preferred Shares means, with respect to any share of Preferred Shares, the person who is listed in the share transfer books of the fund as the registered holder of such share.

Independent Accountant means a nationally recognized accountant, or firm of accountants, that is, with respect to the fund, an independent registered public accounting firm.

Initial Dividend Payment Date has the meanings set forth in the Bylaws of Municipal Opportunities Trust.

Initial Dividend Period means, with respect to Series A Preferred Merger Shares, the 28-day Dividend Period commencing on the Date of Original Issue thereof and, with respect to Series B Preferred Merger Shares and Series C Preferred Merger Shares, the 7-day Dividend Period

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commencing on the Date of Original Issue thereof.

Initial Margin means the amount of cash or securities deposited with a broker as a margin payment at the time of purchase or sale of a futures contract or an option thereon.

Interest Equivalent means a yield on a 360-day basis of a discount basis security which is equal to the yield on an equivalent interest-bearing security.

IRS means the Internal Revenue Service.

Kenny Index means the Kenny S&P 30-day High Grade Index or any comparable index based upon 30-day yield evaluations at par of bonds the interest on which is excludable for regular federal income tax purposes under the Code of high grade component issuers selected by Kenny Information Systems Inc., or any successor thereto from time to time selected by the fund in its discretion, which component issuers, shall

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include, without limitation, issuers of general obligation bonds but shall exclude any bonds the interest on which constitutes an item of tax preference under Section 57(a)(5) of the Code, or successor provisions, for purposes of the alternative minimum tax (as defined in the Code).

Long Term Dividend Period has the meaning set forth on page C-5 of this Appendix C.

Mandatory Redemption has the meaning set forth on page C-18 of this Appendix C.

Mandatory Redemption Price means \$50,000 per share of Series A Preferred Shares or \$25,000 per share of Series B Preferred Shares and Series C Preferred Shares, plus in the case of each series of Preferred Shares, an amount equal to accumulated but unpaid dividends thereon (whether or not earned or declared) to the date fixed for redemption.

Marginal Tax Rate means the maximum marginal regular federal individual income tax rate applicable to ordinary income or the maximum marginal regular federal corporate income tax rate, whichever is greater.

Market Value of any asset of the fund means the market value thereof determined by the Pricing Service. The Market Value of any asset shall include any interest accrued thereon. The Pricing Service shall value portfolio securities at the mean between the quoted bid and asked price or the yield equivalent when quotations are readily available. Securities for which quotations are not readily available shall be valued at fair value as determined by the Pricing Service using methods which include consideration of: yields or prices of municipal bonds of comparable quality, type of issue, coupon, maturity and rating; indications as to value from dealers; and general market conditions. The Pricing Service may employ electronic data processing techniques and/or a matrix system to determine valuations. In the event the Pricing Service is unable to value a security, the security shall be valued at the lower of two dealer bids obtained by the fund from dealers who are members of the National Association of Securities Dealers, Inc. and make a market in the security, at least one of which shall be in writing. Futures contracts and options are valued at closing prices for such instruments established by the exchange or board of trade on which they are traded or if market quotations are not readily available, are valued at fair value on a consistent basis using methods determined in good faith by the Trustees.

Maximum Dividend Rate has the meaning set forth on page C-10 of this Appendix C.

Maximum Potential Additional Dividend Liability, as of any Valuation Date, means the aggregate amount of Additional Dividends that would be payable with respect to the Preferred Shares if the fund were to make Retroactive Taxable Allocations, with respect to any fiscal year, estimated based upon dividends paid and the amount of undistributed realized net capital gain and other income subject to regular federal income tax earned by the fund as of the end of the calendar month immediately preceding such Valuation Date and assuming such Additional Dividends are fully taxable.

Moody's means Moody's Investors Service, Inc.

Moody's Discount Factor means, for purposes of determining the Discounted Value of any Municipal Bond which constitutes a Moody's Eligible Asset, the percentage determined by reference to (a) the rating by Moody's or S&P on such Municipal Bond and (b) the Moody's Exposure Period, in accordance with the table set forth below:

Rating Category

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Moody's
Exposure

Period	Aaa*	Aa*	A*	Baa*	Other **	VMIG-1***	SP-1+****
7 weeks or less	151%	159%	168%	202%	229%	136%	148%
8 weeks or less but greater than 7 weeks	154	164	173	205	235	137	149
9 weeks or less but greater than 8 weeks	158	169	179	209	242	138	150

* Moody's rating.

** Municipal Bonds not rated by Moody's but rated BBB-, BBB or BBB+ by S&P.

*** Municipal Bond rated MIG-1, VMIG-1 or P-1 by Moody's which do not mature or have a demand feature at par exercisable within the Moody's Exposure Period and which do not have a long-term rating. For the purpose of the definition of Moody's Eligible Assets, these securities will have an assumed rating of A by Moody's.

****Municipal Bonds rated SP-1+ or A-1+ by S&P which do not mature or have a demand feature at par exercisable within the Moody's Exposure Period and which do not have a long-term rating. For the purposes of the definition of Moody's Eligible Assets, these securities will have an assumed rating of A by Moody's.

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Notwithstanding the foregoing, (i) no Moody's Discount Factor will be applied to short-term Municipal Bonds, so long as such Municipal Bonds are rated at least MIG-1, VMIG-1 or P-1 by Moody's and mature or have a demand feature at par exercisable within the Moody's Exposure Period, and the Moody's Discount Factor for such Bonds will be 125% if such Bonds are not rated by Moody's but are rated A-1+ or SP-1+ or AA by S&P and mature or have a demand feature at par exercisable within the Moody's Exposure Period, and (ii) no Moody's Discount Factor will be applied to cash or to Receivables for Municipal Bonds Sold.

Moody's Eligible Asset means cash, Receivables for Municipal Bonds Sold, a short-term Municipal Bond rated VMIG-1, MIG-1 or P-1 by Moody's or SP-1+ or A-1+ by S&P or a Municipal Bond that (i) pays interest in cash; (ii) is publicly rated Baa or higher by Moody's or, if not rated by Moody's but rated by S&P, is rated at least BBB- by S&P (provided that, for purposes of determining the Moody's Discount Factor applicable to any such S&P-rated Municipal Bond, such Municipal Bond (excluding any short-term Municipal Bond and any Municipal Bond rated BBB-, BBB or BBB+) will be deemed to have a Moody's rating which is one full rating category lower than its S&P rating); (iii) does not have its Moody's rating suspended by Moody's; and (iv) is part of an issue of Municipal Bonds of at least \$10,000,000. In addition, Municipal Bonds in the fund's portfolio will be included as Moody's Eligible Assets only to the extent they meeting the following diversification requirements:

Rating	Minimum Issue Size (\$ Millions)	Maximum Underlying Obligor (%) (1)	Maximum State or Territory Concentration (%) (1)(3)
Aaa	10	100	100
Aa	10	20	60
A	10	10	40

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Baa	10	6	20
Other(2)	10	4	12

(1) The referenced percentages represent maximum cumulative totals for the related rating category and each lower rating category.

(2) Municipal Bonds not rated by Moody's but rated BBB-, BBB or BBB+ by S&P.

(3) Territorial bonds (other than those issued by Puerto Rico and counted collectively) of any territory are limited to 10% of Moody's Eligible Assets.

For purposes of the maximum underlying obligor requirement described above, any such Bond backed by a guaranty, letter of credit or insurance issued by a third party will be deemed to be issued by such third party if the issuance of such third party credit is the sole determinant of the rating on such Bond.

When the fund sells a Municipal Bond and agrees to repurchase it at a future date, such Bond will constitute a Moody's Eligible Asset and the amount the fund is required to pay upon repurchase of such Bond will count as a liability for purposes of calculating the Preferred Shares Basic Maintenance Amount. When the fund purchases a Municipal Bond and agrees to sell it at a future date to another party, cash receivable by the fund in connection therewith will constitute a Moody's Eligible Asset if the long-term debt of such other party is rated at least A2 by Moody's and such agreement has a term of 30 days or less; otherwise such Bond will constitute a Moody's Eligible Asset.

Notwithstanding the foregoing, an asset will not be considered a Moody's Eligible Asset if it is (i) held in a margin account, (ii) subject to any material lien, mortgage, pledge, security interest or security agreement of any kind, (iii) held for the purchase of a security pursuant to a Forward Commitment or (iv) irrevocably deposited by the fund for the payment of dividends or redemption.

Moody's Exposure Period means the period commencing on and including a given Valuation Date and ending 48 days thereafter.

Moody's Hedging Transaction has the meaning set forth in Exhibit C-2.

Moody's Volatility Factor means 272% as long as there has not been enacted an increase to the Marginal Tax Rate. If an increase is enacted to the Marginal Tax Rate but not yet implemented, the Moody's Volatility Factor shall be as follows:

% Change in Marginal Tax Rate		Moody's Volatility Factor
≤5%		292%
>5% but	10%	313%
>10% but	15%	338%
>15% but	20%	364%
>20% but	25%	396%
>25% but	30%	432%
>30% but	35%	472%
>35% but	40%	520%

Notwithstanding the foregoing, the Moody's Volatility Factor may mean such other potential dividend rate increase factor as Moody's advises the fund in writing is applicable.

Municipal Bonds means obligations issued by or on behalf of states, territories and possessions of the United States and the District of Columbia and their potential subdivisions, agencies and instrumentalities, the interest on which, in the opinion of bond counsel or other counsel to the issuer of such securities, is at the time of issuance not includable in gross income for federal income tax purposes.

Municipal Index means The Bond Buyer Municipal Bond Index.

1940 Act means the Investment Company Act of 1940, as amended.

1940 Act Cure Date has the meaning set forth on page C-22 of this Appendix C.

1940 Act Preferred Shares Asset Coverage has the meaning set forth on page C-22 of this Appendix C.

Non-Call Period has the meaning described under **Specific Redemption Provisions** below.

Non-Payment Period has the meaning set forth on page C-8 of this Appendix C.

Non-Payment Period Rate has the meaning set forth on page C-9 of this Appendix C.

Normal Dividend Payment Date has the meaning set forth on page C-7 of this Appendix C.

Notice of Redemption has the meaning set forth on page C-19 of this Appendix C.

Notice of Revocation has the meaning set forth on page C-6 of this Appendix C.

Notice of Special Dividend Period has the meaning set forth in the Bylaws of Municipal Opportunities Trust.

Optional Redemption has the meaning set forth on page C-17 of this Appendix C.

Optional Redemption Price means \$50,000 per share of Series A Preferred Shares or \$25,000 per share of Series B Preferred Shares and Series C Preferred Shares, as the case may be, plus in the case of each series of Preferred Shares an amount equal to accumulated but unpaid dividends (whether or not earned or declared) to the date fixed for redemption plus any applicable redemption premium per share attributable to the designation of a Premium Call Period for such share.

Paying Agent means (Bankers Trust Company), or any successor company or entity, which has entered into a Paying Agent Agreement with the fund to act for the fund, among other things, as the transfer agent, registrar, dividend and redemption price disbursing agent, settlement agent and agent for certain notifications for the fund in connection with the Preferred Shares in accordance with such agreement.

Preferred Shares has the meaning set forth on page C-1 of this Appendix C.

Premium Call Period has the meaning described under **Specific Redemption Provisions** below.

Preferred Shares Basic Maintenance Amount, as of any Valuation Date, means the dollar amount equal to (i) the sum of (A) the product of the number of Series A Preferred Shares outstanding on such Valuation Date multiplied by the sum of (a) \$50,000 and (b) any applicable redemption premium per share attributable to the designation of a Premium Call Period; (B) the product of the number of Series B Preferred Shares and Series C Preferred Shares outstanding on such Valuation Date multiplied by the sum of (a) \$25,000 and (b) any applicable redemption premium per share of each series attributable to the designation of a Premium Call Period; (C) the aggregate amount of cash dividends (whether or not earned or declared) that will have accumulated for each series of Preferred Share outstanding, in each case, to (but not including) the end of the current Dividend Period for such series of Preferred Shares that follows such Valuation Date or to (but not including) the 49th day after such Valuation Date, whichever is sooner; (D) the aggregate amount of cash dividends that would accumulate at the Maximum Dividend Rate applicable to a Dividend Period of 28 days (in the case of Series A Preferred Shares) or 7 days (in the case of Series B

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Preferred Shares and Series C Preferred Shares) outstanding from the end of such Dividend Period through the 49th day after such Valuation Date, multiplied by the larger of the Moody's Volatility Factor and the S&P Volatility Factor, determined from time to time by Moody's and S&P, respectively (except that if such Valuation Date occurs during a Non-Payment Period, the cash dividend for purposes of calculation would accumulate at the then current Non-Payment Period Rate); (E) the amount of anticipated expenses of the fund for the 90 days subsequent to such Valuation Date; (F) the amount of the fund's Maximum Potential Additional Dividend Liability as of such Valuation Date; and (G) any current liabilities as of such Valuation Date to the extent not reflected in any of (i) (A) through (1) (F) (including, without limitation, any amounts due and payable by the fund pursuant to repurchase agreements and any payables for Municipal Bonds purchased as of such Valuation Date) less (ii) either (A) the Discounted Value of any of the

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fund's assets, or (B) the face value of any of the fund's assets if such assets mature prior to or on the date of redemption of Preferred Shares or payment of a liability and are either securities issued or guaranteed by the U.S. Government or, with respect to Moody's, have a rating assigned by Moody's of at least Aaa, P-1, VMIG-1 or MIG-1 and, with respect to S&P, have a rating assigned by S&P of at least AAA, SP-1+ or A-1+, in both cases irrevocably deposited by the fund for the payment of the amount needed to redeem Preferred Shares subject to redemption or any of (i) (C) through (i) (G).

Preferred Shares Basic Maintenance Cure Date, with respect to the failure by the fund to satisfy the Preferred Shares Basic Maintenance Amount as of a given Valuation Date, means the sixth Business Day following such Valuation Date.

Preferred Shares Basic Maintenance Report means a report signed by the President, Treasurer or any Executive Vice President or Vice President of the fund which sets forth, as of the related Valuation Date, the assets of the fund, the Market Value and the Discounted Value thereof (seriatim and in the aggregate), and the Preferred Shares Basic Maintenance Amount.

Pricing Service means Muller Investdata Corp., or any successor company or entity, or any other entity designated from time to time by the Trustees. Notwithstanding the foregoing, the Trustees will not designate a new Pricing Service unless the fund has received a written confirmation from Moody's and S&P that such action would not impair the ratings then assigned by Moody's and S&P to Preferred Shares.

Quarterly Valuation Date means the last Business Day of each fiscal quarter of the fund in each fiscal year of the fund.

Receivables for Municipal Bonds Sold, for purposes of determining Moody's Eligible Assets and S&P Eligible Assets, means the aggregate of the following: (i) the book value of receivables for Municipal Bonds sold as of or prior to such Valuation Date if such receivables are due within five Business Days of such Valuation Date, and if the trades which generated such receivables are (x) settled through clearing house firms with respect to which the fund has received prior written authorization from Moody's or (y) with counterparties having a Moody's long-term debt rating of at least Baa3; and (ii) the Discounted Value of Municipal Bonds sold (applying the relevant Moody's Discount Factor to such Bonds) as of or prior to such Valuation Date which generated such receivables, if such receivables are due within five Business Days of such Valuation Date but do not comply with either conditions (x) or (y) of the preceding clause (i).

Reference Rate has the meaning set forth on page C-10 of this Appendix C.

Remarketing has the meaning set forth on page C-13 of this Appendix C.

Remarketing Agent has the meaning set forth on page C-14 of this Appendix C.

Remarketing Date means any date on which (i) each beneficial owner of Preferred Shares must provide to the Remarketing Agents irrevocable telephonic notice of intent to tender shares in a Remarketing and (ii) the Remarketing Agents (A) determine the Applicable Dividend Rate for the ensuing Dividend Period, (B) notify Holders, purchasers and tendering beneficial owners of Preferred Shares by telephone, telex or otherwise of the results of the Remarketing and (C) announce the Applicable Dividend Rate.

Request for Special Dividend Period has the meaning set forth on page C-5 of this Appendix C.

Response has the meaning set forth on page C-6 of this Appendix C.

Retroactive Taxable Allocation has the meaning set forth on page C-10 of this Appendix C.

S&P means Standard & Poor's Ratings Group.

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S&P Discount Factor means, for purposes of determining the Discounted Value of any Municipal Bond which constitutes an S&P Eligible Asset, the percentage determined by reference to (a) the rating by S&P or Moody's on such Municipal Bond and (b) the S&P Exposure Period, in accordance with the table set forth below:

S&P Exposure Period	Rating Category			
	AAA	AA	A	BBB
40 Business Days	190%	195%	210%	250%
22 Business Days	170	175	190	230
10 Business Days	155	160	175	215
7 Business Days	150	155	170	210
3 Business Days	130	135	150	190

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Notwithstanding the foregoing. (i) the S&P Discount Factor for short-term Municipal Bonds will be 115%, so long as such Municipal Bonds are rated A-1+ or SP-1+ by S&P and mature or have a demand feature exercisable in 30 days or less, or 125% if such Municipal Bonds are not rated by S&P but are rated VMIG-1, P-1 or MIG-1 by Moody's, and such short-term Municipal Bonds referred to in this clause (i) shall qualify as S&P Eligible Assets; provided, however, such short-term Municipal Bonds rated by Moody's but not rated by S&P having a demand feature exercisable in 30 days or less must be backed by a letter of credit, liquidity facility or guarantee from a bank or other financial institution having a short-term rating of at least A-1+ from S&P; and further provided that such short-term Municipal Bonds rated by Moody's but not rated by S&P may comprise no more than 50% of short-term Municipal Bonds that qualify as S&P Eligible Assets and (ii) no S&P Discount Factor will be applied to cash or to Receivables for Municipal Bonds Sold. Receivables for Municipal Bonds Sold for purposes of calculating S&P Eligible Assets as of any Valuation Date, means the book value of receivables for Municipal Bonds sold as of or prior to such Valuation Date if such receivables are due within five Business Days of such Valuation Date. For purposes of the foregoing, Anticipation Notes rated SP-1+ or, if not rated by S&P, rated VMIG-1 by Moody's, whether or not they mature or have a demand feature exercisable in 30 days and which do not have a long-term rating, shall be considered to be short-term Municipal Bonds and shall qualify as S&P Eligible Assets.

S&P Eligible Asset means cash, Receivables for Municipal Bonds Sold or a Municipal Bond that (i) is issued by any of the 50 states, any territory or possession of the United States, the District of Columbia, and any political subdivision, instrumentality, county, city, town, village, school district or agency (such as authorities and special districts created by the states) of any of the foregoing and certain federally sponsored agencies such as local housing authorities; (ii) is interest bearing and pays interest at least semi-annually; (iii) is payable with respect to principal and interest in U.S. Dollars; (iv) is publicly rated BBB or higher by S&P or, except in the case of Anticipation Notes that are grant anticipation notes or bond anticipation notes which must be rated by S&P to be included in S&P Eligible Assets, if not rated by S&P but rated by Moody's, is rated at least A by Moody's (provided that such Moody's-rated Municipal Bonds will be included in S&P Eligible Assets only to the extent the Market Value of such Municipal Bonds does not exceed 50% of the aggregate Market Value of the S&P Eligible Assets; and further provided that, for purposes of determining the S&P Discount Factor applicable to any such Moody's-rated Municipal Bond, such Municipal Bond will be deemed to have an S&P rating which is one full rating category lower than its Moody's rating); (v) is not subject to a covered call or covered put option writing by the fund; (vi) is not part of a private placement of Municipal Bonds; and (vii) is part of an issue of Municipal Bonds with an original issue size of at least \$20 million or, if of an issue with an original issue size below \$20 million (but in no event below \$10 million), is issued by an issuer with a total of at least \$50 million of securities outstanding.

Notwithstanding the foregoing, (1) Municipal Bonds of any one issuer will be considered S&P Eligible Assets only to the extent the Market Value of such Municipal Bonds does not exceed 10% of the aggregate Market Value of the S&P Eligible Assets, provided that 2% is added to the applicable S&P Discount Factor for every 1% by which the Market Value of such Municipal Bonds exceeds 5% of the aggregate Market Value of the S&P Eligible Assets; and (2) Municipal Bonds issued by issuers in any one state or territory will be considered S&P Eligible Assets only to the extent the Market Value of such Municipal Bonds does not exceed 20% of the aggregate Market Value of S&P Eligible Assets.

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S&P Exposure Period means the maximum period of time following a Valuation Date, including the Valuation Date and the Preferred Shares Basic Maintenance Cure Date, that the fund has to cure any failure to maintain, as of such Valuation Date, a Discounted Value of its portfolio at least equal to the Preferred Shares Basic Maintenance Amount.

S&P Hedging Transactions has the meaning set forth in Exhibit C-2.

S&P Volatility Factor means 277% or such other potential dividend rate increase factor as S&P advises the fund in writing is applicable.

Securities Depository means The Depository Trust Company or any successor company or other entity selected by the fund as securities depository for Preferred Shares that agrees to follow the procedures required to be followed by such securities depository in connection with the Preferred Shares.

Settlement Date means the first Business Day after a Remarketing Date applicable to a Preferred Share.

7-day Dividend Period means a Dividend Period containing seven days.

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Short Term Dividend Period has the meaning set forth on page C-5 of this Appendix C.

Special Dividend has the meaning set forth on page C-5 of this Appendix C.

Special Dividend Period means a Dividend Period established by the fund for Preferred Shares as described on page C-4 of this Appendix C.

Specific Redemption Provisions means, with respect to a Special Dividend Period of 365 or more days either, or any combination of the designation of (i) a period (a **Non-Call Period**) determined by the Trustees, after consultation with the Remarketing Agent, during which the Preferred Shares subject to such Dividend Period shall not be subject to redemption at the option of the fund and (ii) a period (a **Premium Call Period**) consisting of a number of whole years and determined by the Trustees, after consultation with the Remarketing Agent, during each year of which the Preferred Shares subject to such Dividend Period shall be redeemable at the fund's option at a price per share equal to \$50,000 (in the case of Series A Preferred Shares), or \$25,000 (in the case of Series B Preferred Shares and Series C Preferred Shares), plus in the case of each series of Preferred Shares, accumulated but unpaid dividends plus an applicable premium, as determined by the Trustees after consultation with the Remarketing Agent.

Substitute Commercial Paper Dealers means such substitute commercial paper dealers as the fund may from time to time appoint or, in lieu of any thereof, their respective affiliates or successors.

Substitute Rating Agency shall mean a nationally recognized statistical rating organization selected by the fund to act as the substitute rating agency to determine the credit ratings of the Preferred Shares.

Taxable Equivalent of the Short-Term Municipal Bond Rate on any date means 90% of the quotient of (A) the per annum rate expressed on an Interest Equivalent basis equal to the Kenny Index, made available for the Business Day immediately preceding such date but in any event not later than 8:30 a.m., New York City time, on such date by Kenny Information Systems Inc., or any successor thereto, divided by (B) 1.00 minus the Marginal Tax Rate (expressed as a decimal); provided, however, that if the Kenny Index is not made so available by 8:30 a.m., New York City time, on such date by Kenny Information Systems Inc., or any successor, the Taxable Equivalent of the Short-Term Municipal Bond Rate shall mean the quotient of (A) the per annum rate expressed on an Interest Equivalent basis equal to the most recent Kenny Index so made available, divided by (B) 1.00 minus the Marginal Tax Rate (expressed as a decimal).

Tender and Dividend Reset means the process pursuant to which Preferred Shares may be tendered in a Remarketing or held and become subject to the new Applicable Dividend Rate determined by the Remarketing Agent in such Remarketing.

Treasury Bonds means U.S. Treasury Bonds with remaining maturities of ten years or more.

Trustees means the Trustees of the fund.

28-day Dividend Period means a Dividend Period containing 28 days.

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U.S. Treasury Bill Rate on any date of determination means (i) the Interest Equivalent of the rate on the actively traded Treasury Bill with a maturity most nearly comparable to the length of the related Dividend Period, as such rate is made available on a discount basis or otherwise on the Business Day immediately preceding such date by the Federal Reserve Bank of New York in its Composite 3:30 p.m. Quotations for U.S. Government Securities report for such Business Day, or (ii) if such yield as so calculated is not available, the Alternate Treasury Bill Rate on such date.

U.S. Treasury Note Rate on any date of determination means (i) the yield as calculated by reference to the bid price quotation of the actively traded, current coupon Treasury Note with a maturity most nearly comparable to the length of the related Dividend Period, as such bid price quotation is published on the Business Day immediately preceding such date by the Federal Reserve Bank of New York in its Composite 3:30 p.m. Quotations for U.S. Government Securities report for such Business Day, or (ii) if such yield as so calculated is not available, the Alternate Treasury Note Rate on such date.

Valuation Date means, for purposes of determining whether the fund is maintaining the Preferred Shares Basic Maintenance Amount, each Business Day commencing with the Date of Original Issue.

Variation Margin means, in connection with an outstanding futures contract or option thereon owned or sold by the fund, the amount of cash or securities paid to or received from a broker (subsequent to the Initial Margin payment) from time to time as the price of such futures contract or option fluctuates.

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Notwithstanding the foregoing, the Trustees may, without the vote or consent of the holders of Preferred Shares, from time to time amend, alter or repeal certain of the foregoing definitions (or definitions of other terms contained in the fund's Bylaws) and any such amendment, alteration or repeal will be deemed not to affect the preferences, rights or powers of Preferred Shares or the holders thereof, provided the Trustees receive written confirmation from both Moody's and S&P that any such amendment, alteration or repeal would not impair the ratings then assigned to Preferred Shares by the rating agency providing such confirmation.

EXHIBIT C-1

NORMAL SCHEDULE FOR REMARKETING PREFERRED SHARES

The normal schedule for remarketing Preferred Shares is described below. As described in this Appendix C, the events occurring on each day of a normal remarketing schedule are subject to change in the event that certain days are not Business Days. All references herein to a particular time of day shall be to New York City time.

Remarketing Date

9:00 a.m.	Deadline for the Remarketing Agent to make available to holders of Preferred Shares non-binding indications of Applicable Dividend Rate for the next succeeding 28-day Dividend Period (in the case of Series A Preferred Shares), 7-day Dividend Period (in the case of Series B Preferred Shares and Series C Preferred Shares) or, if applicable, Special Dividend Period.
12:00 noon	Deadline for each holder of Preferred Shares to provide to the Remarketing Agent irrevocable telephonic notice of intent to tender Preferred Shares for sale in the current Remarketing. Remarketing of tendered shares of Preferred Shares formally commences.
3:00 p.m.	Deadline for completion of Remarketing. The Remarketing Agent determines the Applicable Dividend Rate for the Dividend Period.
3:30 p.m.	The Remarketing Agent notifies holders, purchasers and tendering holders of Preferred Shares by telephone, telex or otherwise of the results of the Remarketing. Applicable Dividend Rate is announced.

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Settlement Date Dividend Period begins. In addition, Preferred Shares which have been tendered and sold in a Remarketing are delivered against payment through the Securities Depository.

EXHIBIT C-2

RATING AGENCY REQUIREMENTS

This Exhibit sets out certain procedures from the Bylaws of the fund containing conditions determined by S&P and Moody's which the fund must meet in order to maintain its AAA/ Aaa rating. Generally, these requirements, among other things, impose limitations on the securities in which the fund may invest (and the amount of its portfolio which may be invested in various types of securities and securities of various issuers), limit the fund's use of futures, options and forward commitments and may require the fund to redeem Preferred Shares. Any capitalized terms used in this Exhibit but not defined herein are defined elsewhere in this Appendix C.

Preferred Shares Basic Maintenance Amount

Basic Requirement. The fund shall maintain, on each Valuation Date, and shall verify to its satisfaction that it is maintaining on such Valuation Date, S&P Eligible Assets having an aggregate Discounted Value equal to or greater than the Preferred Shares Basic Maintenance Amount and Moody's Eligible Assets having an aggregate Discounted Value equal to or greater than the Preferred Shares Basic Maintenance Amount. Upon any failure to maintain the required Discounted Value, the fund will use its best efforts to alter the composition of its portfolio to regain the Preferred Shares Basic Maintenance Amount on or prior to the Preferred Shares Basic Maintenance Cure Date. If, on any Valuation Date, the fund shall have Moody's Eligible Assets with a Discounted Value which exceeds the Preferred Shares Basic Maintenance Amount by not more than 5%, the investment adviser shall not alter the composition of the fund's portfolio unless it determines that such action will not cause the fund to have Moody's Eligible Assets with a Discounted Value less than the Preferred Shares Basic Maintenance Amount.

Reporting Requirements. The fund will deliver a Preferred Shares Basic Maintenance Report to the Remarketing Agent, the Paying Agent, Moody's and S&P as of (i) each Quarterly Valuation Date, (ii) the

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first day of a Special Dividend Period, and (iii) any other time when specifically requested by either Moody's or S&P, in each case at or before 5:00 p.m., New York City time, on the third Business Day after such day.

At or before 5:00 p.m., New York City time, on the third Business Day after a Valuation Date on which the fund fails to maintain Moody's Eligible Assets or S&P Eligible Assets, as the case may be, with an aggregate Discounted Value which exceeds the Preferred Shares Basic Maintenance Amount by 5% or more or to satisfy the Preferred Shares Basic Maintenance Amount, the fund shall complete and deliver to the Remarketing Agent, the Paying Agent, Moody's and S&P a Preferred Shares Basic Maintenance Report as of the date of such failure.

At or before 5:00 p.m., New York City time, on the third Business Day after a Valuation Date on which the fund cures any failure to satisfy the Preferred Shares Basic Maintenance Amount, the fund shall complete and deliver to the Remarketing Agent, the Paying Agent, Moody's and S&P a Preferred Shares Basic Maintenance Report as of the date of such cure.

A Preferred Shares Basic Maintenance Report or Accountant's Confirmation will be deemed to have been delivered to the Remarketing Agent, the Paying Agent, Moody's and S&P if the Remarketing Agent, the Paying Agent, Moody's and S&P receive a copy or telecopy, telex or other electronic transcription thereof and on the same day the fund mails to the Remarketing Agent, the Paying Agent, Moody's and S&P for delivery on the next Business Day the full Preferred Shares Basic Maintenance Report. A failure by the fund to deliver a Preferred Shares Basic Maintenance Report shall be deemed to be delivery of a Preferred Shares Basic Maintenance Report indicating that the Discounted Value for all assets of the fund is less than the Preferred Shares Basic Maintenance Amount, as of the relevant Valuation Date.

Within ten Business Days after the date of delivery to the Remarketing Agent, the Paying Agent, S&P and Moody's of a Preferred Shares Basic Maintenance Report relating to a Quarterly Valuation Date, the Independent Accountant will confirm in writing to the Remarketing Agent, the Paying Agent, S&P and Moody's (i) the mathematical accuracy of the calculations reflected in such Report (and in any other Preferred Shares Basic Maintenance Report randomly selected by the Independent Accountant, that was delivered by the fund during the quarter ending on such Quarterly Valuation Date, if any); (ii) that, in such Report (and in such randomly selected Report, if any), (a) the fund determined in accordance with the Bylaws whether the fund had, at such Quarterly Valuation Date (and at the Valuation Date addressed in such randomly selected Report), S&P Eligible Assets with an aggregate Discounted Value at least equal to the Preferred Shares Basic Maintenance Amount and Moody's Eligible Assets with an aggregate Discounted Value at least equal to the Preferred Shares Basic Maintenance Amount, and (b) it has obtained confirmation from the Pricing Service that the Market Value of portfolio securities as determined by the Pricing Service equals the mean

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between the quoted bid and asked prices or the yield equivalent (when quotations are readily available); (iii) that the fund has excluded from the Preferred Shares Basic Maintenance Report assets not qualifying as Eligible Assets; and (iv) with respect to such confirmation to Moody's, that the fund has satisfied the requirements described below imposed by Moody's with respect to transactions in options, futures and forward commitments as of the Quarterly Valuation Date (and at the Valuation Date addressed in such randomly selected Report, if any) (such confirmation is herein called the Accountant's Confirmation). In preparing the Accountant's Confirmation, the Independent Accountant shall be entitled to rely, without further investigation, on such interpretations of law by the fund as may have been necessary for the fund to perform the computations contained in the Preferred Shares Basic Maintenance Report.

Within ten Business Days after the date of delivery to the Remarketing Agent, the Paying Agent, S&P and Moody's of a Preferred Shares Basic Maintenance Report relating to any Valuation Date on which the fund failed to satisfy the Preferred Shares Basic Maintenance Amount, the Independent Accountant will provide to the Remarketing Agent, the Paying Agent, S&P and Moody's an Accountant's Confirmation as to such Preferred Shares Basic Maintenance Report.

Within ten Business Days after the date of delivery to the Remarketing Agent, the Paying Agent, S&P and Moody's of a Preferred Shares Basic Maintenance Report relating to any Valuation Date on which the fund cured any failure to satisfy the Preferred Shares Basic Maintenance Amount, the Independent Accountant will provide to the Remarketing Agent, the Paying Agent, S&P and Moody's an Accountant's Confirmation as to such Preferred Shares Basic Maintenance Report.

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If any Accountant's Confirmation delivered as required above shows that an error was made in the Preferred Shares Basic Maintenance Report for a particular Valuation Date for such Accountant's Confirmation was required to be delivered, or shows a lower aggregate Discounted Value for the aggregate of all S&P Eligible Assets or Moody's Eligible Assets, as the case may be, of the fund was determined by the Independent Accountant, the calculation or determination made by such Independent Accountant shall be final and conclusive and shall be binding on the fund, and the fund shall accordingly amend and deliver the Preferred Shares Basic Maintenance Report to the Remarketing Agent, the Paying Agent, S&P and Moody's promptly following receipt by the fund of such Accountant's Confirmation.

At or before 5:00 p.m., New York City time, on the first Business Day after the Date of Original Issue of the Preferred Shares, the fund will complete and deliver to Moody's and S&P a Preferred Shares Basic Maintenance Report as of the close of business on such Date of Original Issue. Within five Business Days of such Date of Original Issue, the Independent Accountant will provide to Moody's and S&P an Accountant's Confirmation as to such Preferred Shares Basic Maintenance Report.

At or before 5:00 p.m., New York City time, on the first Business Day following any date on which the fund repurchases any outstanding common shares, the fund will complete and deliver to Moody's and S&P a Preferred Shares Basic Maintenance Report as of the close of business on the date of the repurchase.

Futures and Options Transactions; Forward Commitments

S&P Guidelines. For so long as any Preferred Shares are rated by S&P, the fund will not purchase or sell futures contracts, write, purchase or sell options on futures contracts or write put options (except covered put options) or call options (except covered call options) on portfolio securities unless it receives written confirmation from S&P that engaging in such transactions will not impair the rating then assigned to the Preferred Shares by S&P, except that the fund may purchase or sell f