

PUTNAM MANAGED MUNICIPAL INCOME TRUST
Form N-14 8C
August 03, 2007

As filed with the Securities and Exchange Commission on August 3, 2007

Registration No. 811-5740

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. ____

Post-Effective Amendment No. ____

PUTNAM MANAGED MUNICIPAL INCOME 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 Managed Municipal Income 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

Calculation of Registration Fee under the Securities Act of 1933:

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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	18,238,112	\$8.17(1)	\$149,005,373	\$4,574.46
Preferred Shares	[]	[\$]	\$45,000,000	\$1,381.50

(1) Net asset value per share for 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 MANAGED MUNICIPAL INCOME TRUST AND
 PUTNAM HIGH YIELD MUNICIPAL TRUST**

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 26 and 27.

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.

PUTNAM INVESTMENTS
 (scale logo)

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PROXY CARD ENCLOSED

If you have any questions, please contact us at (1-xxx-xxx-xxxx), the toll-free number we have set up for you, or call your financial representative.

A Message from the Chairman

[Photo of John A. Hill]

Dear Putnam Managed Municipal Income Trust Shareholder:

I am writing to you to ask for your vote on an important matter that affects your investment in Putnam Managed Municipal Income Trust ("Managed Municipal Income Trust"). While you are, of course, welcome to join us at Managed Municipal Income 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 Putnam High Yield Municipal Trust ("High Yield Municipal Trust") into Managed Municipal Income Trust. In this merger, common shares of High Yield Municipal Trust would, in effect, be exchanged, on a tax-free basis, for new common shares of Managed Municipal Income Trust with an equal net asset value, and preferred shares of High Yield Municipal Trust would, in effect, be exchanged for new preferred shares of Managed Municipal Income Trust with an equal aggregate liquidation preference. (To be voted on by common and preferred shareholders.)
2. Approval of the authorization of \$45 million of additional preferred shares of Managed Municipal Income Trust to be exchanged for existing preferred shares of High Yield Municipal Trust as described in Proposal 1 above. (To be voted on by preferred shareholders only.)

The investment objectives of Managed Municipal Income Trust and High Yield Municipal Trust are identical. Both are leveraged, closed-end funds seeking as high a level of current income exempt from federal income tax as Putnam Management believes is consistent with the preservation of capital. Additionally, each fund invests mainly in municipal securities that are exempt from federal income tax. Although the proposed merger is 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 merger and certain conditions are met, the merger is expected to take place in October 2007.

The Trustees of Managed Municipal Income 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 merger, shareholders of Managed Municipal Income 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-xxx-xxx-xxxx, or call your financial representative.

Sincerely yours,

John A. Hill, Chairman

A Message from the Chairman

[Photo of John A. Hill]

Dear Putnam High Yield Municipal Trust Shareholder:

I am writing to you to ask for your vote on an important matter that affects your investment in Putnam High Yield Municipal Trust ("High Yield Municipal Trust"). While you are, of course, welcome to join us at High Yield 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 High Yield Municipal Trust into Putnam Managed Municipal Income Trust ("Managed Municipal Income Trust"). In this merger, common shares of High Yield Municipal Trust would, in effect, be exchanged, on a tax-free basis, for new common shares of Managed Municipal Income Trust with an equal net asset value, and preferred shares of High Yield Municipal Trust would, in effect, be exchanged for new preferred shares of Managed Municipal Income 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 High Yield Municipal Trust:

(a) conversion of High Yield Municipal Trust from a Massachusetts business trust into a Massachusetts limited liability company; and

(b) merger of the converted High Yield Municipal Trust with and into Managed Municipal Income Trust.

The investment objectives of Managed Municipal Income Trust and High Yield Municipal Trust are identical. Both are leveraged, closed-end funds seeking as high a level of current income exempt from federal income tax as Putnam Management believes is consistent with the preservation of capital. Additionally, each fund invests mainly in municipal securities that are exempt from federal income tax.

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

The Trustees of High Yield 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 High Yield Municipal Trust will benefit from participation in a larger combined fund. 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-xxx-xxx-xxxx, or call your financial representative.

Sincerely yours,

John A. Hill, Chairman

PUTNAM MANAGED MUNICIPAL INCOME TRUST AND PUTNAM HIGH YIELD MUNICIPAL TRUST

Notice of a Joint Special Meeting of Shareholders

This is the formal agenda for the joint shareholder meeting of Putnam Managed Municipal Income Trust ("Managed Municipal Income Trust") and Putnam High Yield Municipal Trust ("High Yield Municipal Trust"). 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 Managed Municipal Income Trust:

A Special Meeting of Shareholders of Managed Municipal Income Trust will be held October 11, 2007 at 9:30 a.m. Eastern time, on the 12th Floor of One Post Office Square, Boston, Massachusetts, to consider the following:

1. A proposal to merge High Yield Municipal Trust with and into Managed Municipal Income Trust, which shall require the following shareholder actions:
 - a. Approval of an Agreement and Plan of Merger that provides that High Yield Municipal Trust will merge with and into Managed Municipal Income Trust. See page 2. (To be voted on by common and preferred shareholders separately.)
 - b. Approval of the authorization, creation and issuance of additional preferred shares of Managed Municipal Income Trust with an aggregate liquidation preference of \$45 million. See page 26. (To be voted on by preferred shareholders only.)

To the Shareholders of High Yield Municipal Trust:

A Special Meeting of Shareholders of High Yield Municipal Trust will be held October 11, 2007, at 9:30 a.m. Eastern time, on the 12th Floor of One Post Office Square, Boston, Massachusetts, to consider the following:

1. A proposal to merge High Yield Municipal Trust with and into Managed Municipal Income Trust, which shall require the following shareholder actions:

a. Approval of a Plan of Entity Conversion providing for the conversion of High Yield Municipal Trust from a Massachusetts business trust to a Massachusetts limited liability company (the "Conversion"). See page 2. (To be voted on by common and preferred shareholders separately.)

b. Approval of an Agreement and Plan of Merger providing that, following the Conversion, High Yield Municipal Trust will merge with and into Managed Municipal Income Trust pursuant to the Massachusetts Limited Liability Company Act. See page 2. (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

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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.

[], 2007

Prospectus/Proxy Statement

[], 2007

Merger of:

**Putnam High Yield
Municipal Trust ("High Yield
Municipal Trust")**
One Post Office Square
Boston, Massachusetts 02109
(617) 292-1000

With and into:

**Putnam Managed Municipal
Income Trust ("Managed
Municipal Income Trust")**
One Post Office Square
Boston, Massachusetts 02109
(617) 292-1000

This Prospectus/Proxy Statement relates to the proposed merger of High Yield Municipal Trust with and into Managed Municipal Income Trust. As a result of the proposed merger, each holder of High Yield Municipal Trust's common shares will receive a number of full and fractional common shares of Managed Municipal Income Trust equal in value at the date of the exchange to the total value of the shareholder's common shares of High Yield Municipal Trust. Similarly, each holder of High Yield Municipal Trust's preferred shares will receive a number of full and fractional preferred shares of Managed Municipal Income 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 _____, 2007. The Prospectus/Proxy Statement explains concisely what you should know before voting on the matters described herein or investing in Managed Municipal Income Trust, a 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 merger, dated _____, 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;

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(ii) the Performance Summary, Report of Independent Registered Public Accounting Firm and financial statements included in Managed Municipal Income Trust's Annual Report to Shareholders for the fiscal year ended October 31, 2006;

(iii) the unaudited financial statements included in Managed Municipal Income Trust's Semiannual Report to Shareholders for the period ended April 30, 2007; and

(iv) the Performance Summary, Report of Independent Registered Public Accounting Firm and financial statements included in High Yield Municipal Trust's Annual Report to Shareholders for the fiscal year ended March 31, 2007.

Shares of Managed Municipal Income 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. Managed Municipal Income Trust and High Yield Municipal Trust are in the family of funds managed by Putnam Investment Management, LLC ("Putnam Management"). Managed Municipal Income Trust and High Yield Municipal Trust are

collectively referred to herein as the "funds," and each is referred to individually as a "fund."

The common shares of Managed Municipal Income Trust and High Yield Municipal Trust are listed on the New York Stock Exchange (the "NYSE") under the symbols "PMM" and "PYM," 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 MERGER 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 merger.

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1. What is being proposed?

The Trustees of the funds are recommending that shareholders approve the transactions whereby High Yield Municipal Trust will be merged with and into Managed Municipal Income Trust, as contemplated by the transaction documents described in more detail under "Information about the Proposed Merger – Merger Documents". If approved by shareholders, the assets and liabilities of High Yield Municipal Trust will become assets and liabilities of Managed Municipal Income Trust, and the outstanding common and preferred shares of High Yield Municipal Trust will, in effect, be converted into common and preferred shares, respectively, of Managed Municipal Income 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 High Yield Municipal Trust's assets net of liabilities (other than liabilities consisting of the aggregate liquidation preference of High Yield Municipal Trust's outstanding preferred shares).

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

If you are a shareholder of High Yield Municipal Trust, your common shares will, in effect, be exchanged on a tax-free basis for common shares of Managed Municipal Income 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 12 below. Your preferred shares of High Yield Municipal Trust will, in effect, be exchanged on a tax-free basis for preferred shares of Managed Municipal Income Trust with an equal aggregate liquidation preference and substantially the same terms.

If you are a shareholder of Managed Municipal Income Trust, your common and preferred shares of Managed Municipal Income Trust will not be affected by the merger, but will represent interests in a larger fund pursuing the same investment goals, strategies, policies and restrictions.

3. Why are the Trustees proposing the merger?

As discussed in more detail below, the funds have identical investment goals and strategies and have substantially similar policies and restrictions. The Trustees are recommending the merger to allow shareholders to benefit from the larger asset size and, in the case of Managed Municipal Income Trust, 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 the Putnam Funds, who serve as Trustees of each fund involved in the proposed merger, have carefully considered the anticipated benefits and costs of the proposed merger 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 merger is in the best interests of shareholders of the funds and that the interests of the existing shareholders of

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each fund would not be diluted by the proposed merger. For a detailed discussion of the Trustees' deliberations, see "Information about the Proposed Merger Trustees' Considerations Relating to Proposed Merger." The Trustees unanimously recommend that shareholders vote FOR approval of the proposed merger.

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

Investment Goals and Strategies

The investment goals of the funds are identical. Each fund seeks to provide as high a level of current income exempt from federal income tax as Putnam Management believe is consistent with preservation of capital. Additionally, under normal market conditions, each fund invests at least 80% of its respective assets in tax-exempt municipal securities.

Investment Policies and Restrictions

The funds have substantially similar investment policies and restrictions. The funds' restrictions regarding the issuance of senior securities and securities lending reflect minor differences, which are explained in more detail below under "Information about the Funds Investment Restrictions." Putnam Management does not anticipate that a significant portion of High Yield Municipal Trust's portfolio securities will be disposed of in connection with the merger.

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

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 Managed Municipal Income Trust, assuming consummation of the proposed merger and based on *pro forma* combined assets as of April 30, 2007.

Expenses for each fund are based on amounts incurred during the fiscal year ended October 31, 2006 for Managed Municipal Income Trust and for the fiscal year ended March 31, 2007 for High Yield Municipal Trust. Please see "Information about the Proposed Merger Trustees' Considerations Related to the Proposed Merger" for more information on the expenses for each fund.

Managed Municipal

High Yield

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	<u>Income Trust</u>	<u>Municipal Trust</u>
Shareholder transaction expenses		
Maximum sales charge imposed on purchases (as a percentage of offering price)	None(a)	None(a)
Dividend Reinvestment Plan	None(b)	None(b)

(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.

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(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 [], 2007, High Yield Municipal Trust's Plan has been suspended indefinitely.

Annual Fund Operating Expenses
(Expenses that are deducted from fund assets)*

	Managed Municipal Income Trust	High Yield Municipal Trust	Managed Municipal Income Trust (<i>pro forma</i> combined with High Yield Municipal Trust)**
	_____	_____	_____
Management Fees***	0.81 %*	0.70 %*	0.78%*
Other Expenses	0.30%	0.34%	0.25 %
Total Annual Fund Operating Expenses****	1.11 %	1.04%	1.03%

For the fiscal year ended 10/31/06.

For the fiscal year ended 3/31/07.

* Includes management fees on preferred share assets. Management fees for Managed Municipal Income Trust have been restated to reflect the Management Contract that was effective 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, *pro forma* "other expenses" would have been 0.32% and *pro forma* "Total Annual Fund Operating Expenses" would have been 1.10% .

*** Although the management fee rates will not change in connection with the merger, the *pro forma* combined fund would have proportionately more leverage through preferred shares than High Yield Municipal Trust and proportionately less leverage than Managed Municipal Income Trust. As a result, the *pro forma* combined fund fees (express as a percentage of assets attributable to common shares) are expected to be lower than the total annual fund operating expenses currently incurred by High Yield Municipal Trust and lower than the total

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annual fund operating expenses currently incurred by Managed Municipal Income 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 Relating to the Proposed Merger - 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' Distribution 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

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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.

	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
Managed Municipal Income Trust	\$11	\$35	\$61	\$135
High Yield Municipal Trust	\$11	\$33	\$57	\$127
Managed Municipal Income Trust (<i>pro forma</i> combined with High Yield Municipal Trust)	\$11	\$33	\$57	\$126

6. 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.

ANNUAL PERFORMANCE AT NAV

Managed Municipal Income Trust

8.52%	4.64%	-5.04%	7.49%	2.88%	4.91%	9.76%	8.25%	6.33%	7.02%
-------	-------	--------	-------	-------	-------	-------	-------	-------	-------

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
------	------	------	------	------	------	------	------	------	------

High Yield Municipal Trust

8.42%	5.54%	-2.96%	5.82%	2.66%	3.65%	7.94%	7.09%	6.39%	7.78%
1997	1998	1999	2000	2001	2002	2003	2004	2005	2006

Year-to-date performance through June 30, 2007 for Managed Municipal Income Trust's shares was 0.39% (at net asset value) and 5.03% (at market price) and for High Yield Municipal Trust was 0.66% (at net asset value) and 4.60% (at market price). During the periods shown in the bar chart, Managed Municipal Income Trust's highest return at net asset value for a quarter was 6.09% (quarter ended 6/30/03) and lowest return for a quarter was -2.83% (quarter ended 12/31/99); and High Yield Municipal Trust's highest return at net asset value for a quarter was 4.33% (quarter ended 6/30/03) and lowest return for a quarter was -1.84% (quarter ended 6/30/04).

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Average Annual Total Returns (for periods ended 4/30/07)	Past 1 year	Past 5 years	Past 10 years
Managed Municipal Income Trust			
Common shares (at net asset value)	6.75%	6.93%	5.43%
Common shares (at market price)	15.40%	6.81%	3.74%
High Yield Municipal Trust			
Common shares (at net asset value)	7.41%	6.34%	5.20%
Common shares (at market price)	14.50%	6.10%	3.33%
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.

7. What are the federal income tax consequences of the proposed merger?

For federal income tax purposes, no gain or loss is expected to be recognized by High Yield Municipal Trust or its shareholders as a result of the proposed merger, and the aggregate tax basis of the Merger Shares received by each shareholder of High Yield Municipal Trust in the merger will be the same as the aggregate tax basis of the shareholder's High Yield Municipal Trust's shares. However, because the merger will end the tax year of High Yield Municipal Trust, the merger may accelerate distributions from High Yield Municipal Trust to its 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 Merger – Federal Income Tax Consequences."

8. Will my dividend be affected by the proposed merger?

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 merger, 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 Managed Municipal Income Trust and High Yield Municipal Trust were 4.92% and 4.89%, respectively; and the estimated dividend rate for common shares of Managed Municipal Income Trust on a *pro forma* basis, after giving effect to the merger of High Yield Municipal Trust, would be 4.95% . As of June 29, 2007, the SEC yields for common shares of Managed Municipal Income Trust and High Yield Municipal Trust were 3.94% and 3.99%, respectively. Over the longer term, the level of dividends will depend on market conditions, the amount of the preferred shares Managed Municipal Income Trust may from time to time have outstanding and the ability of Putnam Management to invest Managed Municipal Income Trust's assets, including those

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received from High Yield Municipal Trust in the merger, in securities meeting Managed Municipal Income Trust's investment goal and policies.

Managed Municipal Income Trust will not permit any holder of certificated common shares of High Yield Municipal Trust at the time of the merger to receive cash dividends or other distributions, transfer your Common Merger Shares or pledge Common Merger Shares until the certificates for shares of High Yield Municipal Trust have been surrendered to Putnam Fiduciary Trust Company, the fund's 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 High Yield Municipal Trust if and when the 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, Managed Municipal Income 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 High Yield Municipal Trust in cash.

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

The procedures for purchasing and selling shares of each fund are identical and are not expected 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. Managed Municipal Income Trust will apply to list the Common Merger Shares on the NYSE. It is a condition to the closing of the proposed merger that the Common Merger Shares be accepted for listing.

10. How will I be notified of the outcome of the proposed merger?

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

If the proposed merger is not approved, shareholders of High Yield Municipal Trust will be notified and the results of the meeting will be provided in the next annual or semiannual report of the fund.

11. Will the number of shares I own change?

If you hold common shares of High Yield Municipal Trust, the number of common shares you own will change but the total net asset value of the common shares of Managed Municipal Income Trust you receive will equal the total net asset value of the common shares of High Yield Municipal Trust that you hold at the time High Yield Municipal Trust's common shares are valued for purposes of the merger. If you are a

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shareholder of Managed Municipal Income Trust, the number of Managed Municipal Income 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 High Yield Municipal Trust's common shares at the time of the merger.

[If you hold preferred shares of High Yield Municipal Trust, it is anticipated that you will receive one-half of one Series C preferred share of Managed Municipal Income Trust for each preferred share you currently own as a result of the difference in liquidation preference for preferred shares of Managed Municipal Income Trust. The preferred shares you receive will bear the same aggregate liquidation preference as the shares you currently own and will initially have a 7-day Dividend Period.]

12. Will the market value of my investment change?

Common shares of each fund will continue to be traded on NYSE until the time of the merger, although, if approved by NYSE, it is possible that such trading will be suspended in advance of the merger to facilitate the establishment of accounts in Managed Municipal Income Trust on behalf of High Yield Municipal Trust shareholders. Putnam Management will announce any a suspension in advance of the date such suspension begins. Shares of the funds may at times trade at a market price greater or less than net asset value. During recent years, shares of the funds have consistently traded at a discount to net asset value. Depending on market conditions immediately prior to the exchange, common shares of Managed Municipal Income Trust may trade at a greater or smaller discount or premium to net asset value than common shares of High Yield Municipal Trust, which would cause the Common Merger Shares to have a market value that is greater or less than the current market value the common shares of High Yield Municipal Trust.

13. Why is the vote of Managed Municipal Income Trust's shareholders being solicited?

Although, as a technical matter, Managed Municipal Income Trust will continue its legal existence and operations as presently conducted, we are required by the fund's Agreement and Declaration and by the rules of the NYSE to solicit the vote of Managed Municipal Income Trust's shareholders in this matter. In addition, because the proposed merger involves the issuance by Managed Municipal Income Trust of preferred shares (the Preferred Merger Shares), Managed Municipal Income Trust's Bylaws require the approval of existing preferred shareholders of Managed Municipal Income Trust of such issuance. Managed Municipal Income Trust's Bylaws will be amended to reflect that the Preferred Merger Shares have been authorized.

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14. What percentage of shareholders' votes are required to approve the proposed merger?

The proposed merger will not occur unless a majority of the outstanding common and preferred shares of High Yield Municipal Trust entitled to vote (each class voting separately) approve the Conversion (as hereinafter defined) and the preferred shares of beneficial interest of Managed Municipal Income Trust have approved the authorization of Preferred Merger Shares. Assuming such approvals, the proposed merger will require the "yes" vote of the holders of:

a majority of the outstanding common and preferred shares of beneficial interest of Managed Municipal Income Trust entitled to vote (each class voting separately), and

a majority of the outstanding common and preferred shares of beneficial interest of High Yield Municipal Trust entitled to vote (each class voting separately).

B. Risk Factors

What are the main investment strategies and related risks of Managed Municipal Income Trust and how do they compare with those of High Yield Municipal Trust?

Because the funds share virtually identical investment goals and strategies and have substantially similar policies and restrictions (in each case, except as otherwise noted in this Prospectus/Proxy Statement), the risks described below for an investment in Managed Municipal Income Trust are similar to the risks of an investment in High Yield Municipal Trust.

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.

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

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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.

In addition, 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. The Supreme Court likely will hold oral arguments on this case in the fall of 2007 and 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.

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.

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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.

Investments rated below BBB by S&P, Baa by Moody's or their 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. Managed Municipal Income Trust may invest up to 60% of its assets in securities rated BBB or below by Standard & Poor's or Baa or below by Moody's or unrated securities Putnam Management believes are of comparable quality. In addition, Managed Municipal Income Trust may invest up to 10% of its assets in securities rated B- or below by Standard & Poor's or B or below by Moody's or unrated securities Putnam Management believes are of comparable quality.

Putnam Management seeks to minimize the risks involved in investing in lower-rated municipal securities through diversification and careful investment analysis. It should be noted, however, that the amount of information about the financial condition of an issuer of municipal securities may not be as extensive as that which is made available by corporations whose securities are publicly traded.

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 the 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:

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- 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.

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.

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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. 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 related 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 dividend rate than if the fund were not so leveraged. On the other hand, to the extent that the then current dividend rate 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 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.

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.

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

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You can lose money on your investment in Managed Municipal Income Trust. Managed Municipal Income Trust is not intended as a complete investment program. An investment in Managed Municipal Income 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 Merger

General. The shareholders of the funds are being asked to approve the proposed merger of High Yield Municipal Trust with and into Managed Municipal Income Trust, which will be effected through a two-step process, as described below.

Pursuant to a Plan of Entity Conversion (the "Conversion Plan"), a form of which is attached to this Prospectus/Proxy Statement as Appendix A, High Yield Municipal Trust would convert from a Massachusetts business trust to a Massachusetts limited liability company (the "Conversion"). High Yield Municipal Trust, organized as a limited liability company, then would merge with and into Managed Municipal Income 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 Company Act (the "LLC Act") (such merger pursuant to the LLC Act being referred to herein as the "Statutory Merger"). Both steps are expected to be tax-free to shareholders (see "Federal Income Tax Consequences" below). In connection with the Conversion, each member of the Board of Trustees of High Yield Municipal Trust would become a member of the Board of Managers of High Yield Municipal Trust once it is organized as a limited liability company and the officers of High Yield Municipal Trust would remain unchanged. Shareholders of High Yield Municipal Trust would remain shareholders of High Yield Municipal Trust 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 merger, all the property and liabilities of High Yield Municipal Trust will become property and liabilities of Managed Municipal Income Trust and High Yield Municipal Trust will cease to exist. Common shareholders of High Yield Municipal Trust 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 share are valued for purposes of the proposed merger (4:00 p.m. Eastern time on October 26, 2007 or such other time as mutually agreed by the funds (the "Valuation Time")). Preferred shareholders of High Yield Municipal Trust will receive Preferred Merger Shares on the Exchange Date based on the aggregate liquidation preference of their existing shares and such Preferred Merger Shares as of the Valuation Time. Prior to the Exchange Date, High Yield Municipal Trust 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.

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The Trustees have voted unanimously to approve the proposed merger and the related transactions, and to recommend that shareholders also approve the proposed merger. The Trustees have conditioned effectiveness of the Plan of Merger upon (a) High Yield Municipal Trust's shareholders approving the Conversion Plan and (b) Managed Municipal Income Trust's shareholders approving the issuance of \$45 million of additional preferred shares (the Preferred Merger Shares), which are required to consummate the merger. The Conversion Plan requires the affirmative vote of holders a majority of the outstanding common and preferred shares of beneficial interest of High Yield Municipal Trust entitled to vote (each class voting separately) and 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 Managed Municipal Income Trust.

It is a condition to the closing of the merger that Standard & Poor's and Moody's, which serve as ratings agencies with respect to the funds' outstanding preferred shares, shall have advised Managed Municipal Income Trust that the closing of the merger will not result in the withdrawal of their current ratings of Managed Municipal Income 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 and that the Common Merger Shares be accepted for listing on the NYSE. It is also a condition to the closing of the merger that the shareholders of Managed Municipal Income Trust do not approval a proposal to convert the fund from a closed-end investment company to an open-end investment company at the fund's annual meeting in October 2007.

Prior to the Conversion, the investment restrictions of High Yield Municipal Trust may be temporarily amended to the extent necessary to effect the transactions described herein. Putnam Management does not anticipate that a significant

portion of High Yield Municipal Trust's portfolio securities will be disposed of in connection with the merger.

In the event that the proposed merger 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 Merger.

General

The Trustees of the funds have carefully considered the anticipated benefits and costs of the proposed merger from the perspective of each fund. The Trustees considered a recommendation, including a detailed plan for the mergers, from Putnam Management for this merger at a meeting of the Board of Trustees held on February 8-9, 2007. After carefully considering the terms of the proposed merger, the Trustees determined at the meeting to approve in principle the merger of High Yield Municipal Trust into Managed Municipal Income 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 merger on behalf of the funds, adopted the Conversion Plan and the Plan of Merger (subject to shareholder approval) and determined to recommend that shareholders of the funds vote in favor of the transaction. 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 p