

Edgar Filing: MFS INTERMEDIATE INCOME TRUST - Form DEF 14A

MFS INTERMEDIATE INCOME TRUST  
Form DEF 14A  
September 13, 2001

SCHEDULE 14A INFORMATION  
PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE SECURITIES  
EXCHANGE ACT OF 1934

FILED BY THE REGISTRANT

FILED BY A PARTY OTHER  
THAN THE REGISTRANT

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CHECK THE APPROPRIATE BOX:

- Preliminary Proxy Statement  
 Confidential for Use of the Commission Only (as permitted by  
Rule 14a-6(e)(2))  
 Definitive Proxy Statement  
 Definitive Additional Materials  
 Soliciting Material Pursuant to sec. 240.14a-11(c) or sec. 240.14a-12

MFS Intermediate Income Trust

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(Name of Registrant as Specified in its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

PAYMENT OF FILING FEE (CHECK THE APPROPRIATE BOX):

- No fee required.  
 Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

- 1) Title of each class of securities to which transaction applies:
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- 1) Amount previously paid:
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MFS(R) Proxy Information

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THE 2001 SHAREHOLDER PROXY FOR MFS FUNDS

Streamlined processes for greater efficiencies

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[Logo] M F S(R)  
INVESTMENT MANAGEMENT

QUESTIONS & ANSWERS

Your proxy vote: your right and responsibility to your fellow shareholders

YOUR VOTE IS IMPORTANT

Starting in August 2001, the MFS(R) funds are asking all of their account holders for their support by voting on the 2001 proxy. That means that more than 4.5 million account holders will receive a proxy. Because this is such a massive undertaking, these proxy mailings will be sent in groups from late August through mid-September.

Your proxy vote is important. It is your right, and it is your responsibility to your fellow shareholders.

ALL SHARES IN ALL ACCOUNTS MUST BE VOTED

If you have more than one account, you'll receive more than one proxy -- possibly even in the same package. To conserve mailing costs, we have tried to send all of your proxies together. However, the staggered mailings may mean that you'll get several of these "householded" packages. It's very important that you vote every proxy that you receive. Otherwise, there may not be enough votes to conduct the shareholder meetings. And that will require costly follow-up mailings to nonvoting account holders.

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Proxy mailings are a fund expense, so are follow-up solicitations and mailings. Please vote all of your proxies now, and save your fund some money.

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FOCUS ON SIMPLIFICATION

The proposals contained in the proxy for each fund vary in the specifics, but the general theme for most of them is the same: simplification. For example, we currently have three different Boards of Trustees; we believe it would be more efficient if we had just one. The questions and answers that follow will explain the proxy process and help you wade through the proposals.

Please take the time to read the enclosed proxy material and vote your proxy. You can vote by

- o mailing your completed and signed proxy card in the enclosed postage-paid envelope
  
- o voting on the Internet

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- o voting by telephone on a toll-free number

You'll find the complete voting instructions included in this package.

Both we and your fellow shareholders thank you for voting now. We look forward to hearing from you.

### 1. WHO IS ASKING FOR MY VOTE?

The Trustees of your MFS fund are asking you to vote on several proposals at the upcoming shareholder meetings. The election of new Trustees requires a shareholder vote, and MFS recommended to the Trustees that certain other changes be made.

### 2. HOW DO THE TRUSTEES RECOMMEND SHAREHOLDERS TO VOTE?

The Trustees recommend that you vote FOR all proposals.

### 3. WHO IS ELIGIBLE TO VOTE?

If you were the shareholder of record on the record date, you are entitled to vote at the meeting or at any adjournment of the meeting. You may cast one vote for each share of record that you own on each matter presented at the meeting that affects your fund.

### 4. WHAT WILL I BE ASKED TO VOTE ON?

- o To elect a Board of Trustees

The purpose of this proposal is to streamline the oversight of the MFS funds by creating a combined Board that will oversee most MFS funds organized in the United States. Currently, three separate Boards of Trustees serve these MFS funds. Due to a number of pending Trustee retirements, the combined Board will avoid the need to add new Trustees to the various Boards in the near future.

The combined Board would reduce the duplication of Board materials and reports and avoid repeated presentations by the same personnel at different meetings.

- o To authorize the Trustees to adopt an amended and restated Declaration of Trust

The Declaration of Trust is the charter document that describes how a fund conducts business and how it is governed.

This proposal would modernize the Declaration of Trust and make it the same for almost all MFS funds.

- o To amend, remove, or add certain fundamental investment policies

Your MFS fund has certain fundamental investment policies that cannot be changed without shareholder approval. Some of these policies are no longer needed due to changes in applicable laws and can now be eliminated or revised.

This proposal would modernize the fund's fundamental investment policy and make them the same for almost all of the MFS funds. The fund will continue to be managed in accordance with the investment policies described in its prospectus. The Trustees do not expect that the revised policies will change significantly the level of investment risk associated with an investment in the fund.

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- o To change the fund's investment policy relating to investments in U.S. and foreign government securities from fundamental to nonfundamental.

Currently, the fund's investment policy relating to investments in U.S. and foreign government securities may not be changed without shareholder approval.

This proposal would allow the fund's Trustees to change this investment policy without obtaining further shareholder approval. The added flexibility would permit the fund to react more quickly if it determines that an investment policy change is in shareholders' best interest. This would save the cost and time delays of conducting a shareholder meeting. Currently, the Trustees have no intention of changing this investment policy.

- o To approve a new Investment Advisory Agreement with MFS

Your fund has an Investment Advisory Agreement with MFS.

This proposal would modernize this Agreement and make it the same for almost all of the MFS funds.

UNDER THIS PROPOSAL, THE INVESTMENT MANAGEMENT FEE PAYABLE BY THE FUND WOULD NOT CHANGE.

- o To ratify the selection of the independent public accountants for the current fiscal year

This is a standard, routine item on proxy statements.

### 5. HOW WILL MY VOTES BE RECORDED?

Votes that are received prior to the fund's shareholder meeting will be voted as you specify on each proposal. If you simply sign and date the proxy card but do not specifically vote on one or more of the proposals, your shares will be voted FOR all of the nonspecified proposals.

### 6. WHAT IF I WANT TO REVOKE MY PROXY?

You can revoke your proxy at any time by sending us a written revocation or a more recently dated proxy card. Your request or new proxy card must be received before the shareholder meeting.

### 7. WHAT HAPPENS IF THERE AREN'T ENOUGH VOTES TO APPROVE A PROPOSAL BY THE SHAREHOLDER MEETING DATE?

The shareholder meeting for the fund will be adjourned to a later date, and shareholders who have not voted will be solicited again. Follow-up solicitations, which are a fund expense, are costly. That's why your vote is so important and why we urge you to vote your proxy now. You should also know that the fund may adjourn its meeting more than once.

### 8. HOW CAN I GET MORE INFORMATION ABOUT THE FUND?

A copy of the annual report for each fund was mailed previously to you. If you would like us to send you free copies of the fund's most recent annual or semiannual report, please call us toll free at 1-800-637-2304 or write to the fund at MFS Service Center, Inc., 2 Avenue de Lafayette, Boston, Massachusetts 02111-1738.

### 9. WHOM DO I CALL IF I HAVE QUESTIONS?

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You may call Georgeson Shareholder Communications Inc., the MFS funds' proxy solicitor, at 1-888-833-1493.

Your vote is important to us and to your fellow shareholders. Please vote your proxies as soon as possible and return them in the envelope provided.

We look forward to receiving your vote.

[Logo] M F S(R)  
INVESTMENT MANAGEMENT

(C) 2001 MFS Investment Management(R).  
MFS(R) investment products are offered through MFS Fund Distributors, Inc.,  
500 Boylston Street, Boston, MA 02116.

MFS-4MIN-9/01

MFS Intermediate Income Trust  
500 Boylston Street  
Boston, Massachusetts 02116

September 13, 2001

Dear Shareholder:

An annual meeting of shareholders of MFS Intermediate Income Trust (referred to as the Fund) will be held at the Fund's offices, 500 Boylston Street, Boston, Massachusetts, on October 31, 2001, at 9:30 a.m. (Boston time).

At the meeting, you will be asked to elect Trustees of your Fund. Certain nominees already serve as Trustees, and other nominees are currently Trustees of other MFS funds. The new Board will combine your Fund's current Trustees with Trustees supervising other funds in the MFS Family of Funds. The combined Board is designed to simplify and streamline oversight of the funds in the MFS Family of Funds, including the Fund.

You will also be asked to approve an amended and restated declaration of trust, the revision or elimination of certain investment policies and a new investment advisory agreement. These items are designed to modernize and standardize the agreements and investment restrictions governing the funds in the MFS Family of Funds, including the Fund, and to provide for efficiencies and flexibility in the Fund's operations.

As a shareholder, you cast one vote for each share you own. THE TRUSTEES RESPONSIBLE FOR YOUR FUND UNANIMOUSLY RECOMMEND THAT YOU VOTE FOR EACH OF THESE PROPOSALS.

YOUR VOTE ON THESE MATTERS IS IMPORTANT. PLEASE VOTE PROMPTLY BY COMPLETING AND SIGNING THE PROXY CARD AND RETURNING IT IN THE ENVELOPE PROVIDED OR BY FOLLOWING THE ENCLOSED INSTRUCTIONS TO VOTE BY TELEPHONE OR OVER THE INTERNET.

If you have any questions about the proposals to be voted on, please call Georgeson Shareholder Communications Inc. at 1-888-833-1493.

Thank you for your participation in the meeting.

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Sincerely,

/s/ Jeffrey L. Shames

Jeffrey L. Shames  
Chairman

MFS INTERMEDIATE INCOME TRUST  
500 BOYLSTON STREET  
BOSTON, MASSACHUSETTS 02116

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON OCTOBER 31, 2001

An Annual Meeting of Shareholders of MFS Intermediate Income Trust (referred to as the Fund) will be held at the Fund's offices, 500 Boylston Street, Boston, Massachusetts, at 9:30 a.m. (Boston time) on Wednesday, October 31, 2001, for the following purposes:

- ITEM 1. To elect a Board of Trustees, 10 of whom are independent of MFS Funds' investment adviser.
- ITEM 2. To authorize the Trustees to adopt an Amended and Restated Declaration of Trust.
- ITEM 3. To amend, remove or add certain fundamental investment policies.
- ITEM 4. To change the Fund's investment policy relating to investments in U.S. and foreign government securities from fundamental to non-fundamental.
- ITEM 5. To approve a new investment advisory agreement with Massachusetts Financial Services Company.
- ITEM 6. To ratify the selection of the independent public accountants for the current fiscal year.
- ITEM 7. To transact such other business as may properly come before the Meeting and any adjournments thereof.

YOUR TRUSTEES RECOMMEND THAT YOU VOTE FOR ALL ITEMS.

Shareholders of record on August 14, 2001 are entitled to vote at the Annual Meeting of Shareholders and at any adjournments thereof.

Stephen E. Cavan, Secretary and Clerk

September 13, 2001

PROXY STATEMENT

This Proxy Statement is furnished in connection with the solicitation of proxies by and on behalf of the Board of Trustees of MFS Intermediate Income Trust (referred to as the Fund) to be used at the Annual Meeting of Shareholders

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of the Fund to be held at 9:30 a.m. on Wednesday, October 31, 2001 at the Fund's offices, 500 Boylston Street, Boston Massachusetts, and at any adjournment thereof. The Meeting will be held for the purposes set forth in the accompanying Notice. If the enclosed form of proxy is executed and returned, it may nevertheless be revoked prior to its exercise by a signed writing filed with the Secretary of the Fund or delivered at the Meeting. Solicitation of proxies is being made by the mailing of this Notice and Proxy Statement with its enclosures on or about September 13, 2001.

Shareholders of record at the close of business on August 14, 2001 will be entitled to one vote for each share held. The number of shares of the Fund outstanding on August 14, 2001 was 202,648,015.766.

The mailing address of the Fund is 500 Boylston Street, Boston, Massachusetts 02116. A copy of the Annual or Semi-Annual Report for the Fund may be obtained without charge by contacting MFS Service Center, Inc., P.O. Box 9024, Boston, Massachusetts 02205-9824, or calling MFS by telephone toll-free 1-800-637-2304.

**VOTE REQUIRED:** Each nominee named in Item 1 must be elected by a plurality of the shares of the Fund voted at the Meeting. Approval of Item 2 requires the affirmative vote of 66 2/3% of the shares of the Fund outstanding and entitled to vote. Approval of Items 3, 4 and 5 requires the affirmative vote of a "majority of the outstanding voting securities" of the Fund. Approval of Item 6 requires the affirmative vote of a majority of the shares of the Fund voted at the Meeting in person or by proxy.

Under applicable law, the vote of "a majority of the outstanding voting securities" means the affirmative vote of the lesser of (a) 67% or more of the voting securities of the Fund that are present at the Meeting or represented by proxy if holders of more than 50% of the outstanding voting securities of the Fund are present or represented by proxy or (b) more than 50% of the outstanding voting securities of the Fund.

The following table summarizes these voting requirements:

	VOTE REQUIRED FOR APPROVAL -----
ITEM 1 (Election of Trustees)	Each nominee must be elected by a plurality of the shares of the Fund voted at the Meeting
ITEM 2 (Approval of Amended and Restated Declaration of Trust)	Approved by 66 2/3% of the shares of the Fund outstanding and entitled to vote
ITEM 3 (Changes to Fundamental Investment Policies)	Approved by a "majority of the outstanding voting securities" of the Fund
ITEM 4 (Change to the Fund's investment policy relating to investments in U.S. and foreign government securities from fundamental to non-fundamental)	Approved by a "majority of the outstanding voting securities" of the Fund

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ITEM 5 (Approval of Investment Advisory Agreement)	Approved by a "majority of the outstanding voting securities" of the Fund
ITEM 6 (Ratification of Selection of Accountants)	Approved by a majority of the shares of the Fund voted at the Meeting

### GENERAL BACKGROUND

At the meeting, you will be asked to elect Trustees of your Fund. Certain nominees already serve as Trustees, and other nominees are currently Trustees of other MFS funds. The new Board will combine your Fund's current Trustees with Trustees supervising other funds in the MFS Family of Funds. The combined Board is designed to simplify and streamline oversight of all funds in the MFS Family of Funds.

You will also be asked to approve an amended and restated declaration of trust, the revision or elimination of certain investment policies and a new investment advisory agreement. These items are designed to modernize and standardize the agreements and investment restrictions governing the funds in the MFS Family of Funds, including the Fund, and to provide for efficiencies and flexibility in the Fund's operations.

If approved, each proposal will take effect on January 1, 2002, or, in the event that shareholder approval has not been obtained by that date, as soon as reasonably practicable after shareholders have approved the proposal.

#### ITEM 1 -- TO ELECT A BOARD OF TRUSTEES.

At the Meeting, you will be asked to elect a Board of Trustees for your Fund. The existing Trustees of the Fund have determined, pursuant to the Fund's declaration of trust, that the number of Trustees of the combined Board of Trustees shall be fixed for the time being at 13. Proxies not containing specific instructions to the contrary will be voted for the election as Trustees of the 13 nominees listed below.

Currently, funds in the MFS Family of Funds are served by three separate Boards of Trustees. Under this proposal, the separate Boards will be consolidated so that the same individuals serve on the Boards of all of the MFS Funds.

Historically, the three separate Boards have had separate meetings but often have reviewed the same policy issues, contractual arrangements and other matters. Among other potential efficiencies, consolidating into one Board would reduce the duplication of Board materials and reports covering the same topics and would avoid the need for repeated presentations by the same personnel at different meetings. The Trustees of the three Boards, including the Trustees of your Fund, have agreed that both the MFS Funds and their adviser, Massachusetts Financial Services Company (referred to as MFS), would enjoy efficiencies and potential future cost savings if the same individuals served as Trustees of all of the MFS Funds.

The Trustees who currently supervise your Fund are Marshall N. Cohan, Lawrence H. Cohn, M.D., Sir J. David Gibbons, KBE, Abby M. O'Neill, Walter E. Robb, III, Arnold D. Scott, Jeffrey L. Shames, J. Dale Sherratt and Ward Smith. The Trustees who currently supervise your Fund have served in that capacity continuously since originally elected or appointed. These Trustees, other than Messrs. Cohan and Robb, who will be retiring at the end of 2001,



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are nominees to serve on the combined Board of the MFS Funds.

The other nominees listed on page 3 were nominated by your Fund's Board of Trustees on June 13, 2001, subject to approval by the shareholders. These nominees do not currently serve as Trustees of your Fund, but have agreed to do so if elected by shareholders. These nominees currently serve on one other Board of the MFS Funds, and have served in that capacity continuously since originally elected or appointed.

The Board of Trustees of your Fund is currently divided into three classes, each having a term of three years. Each year the term of one class expires. The terms of office of the class containing Dr. Cohn, Messrs. Sherratt and Smith and Ms. O'Neill expire at this Annual Meeting of Shareholders. Messrs. Cohan and Robb will be retiring at the end of 2001 before the end of their terms. In connection with the election of the new Trustees and the anticipated retirement of Messrs. Cohan and Robb, the new Trustees will be assigned to particular classes and existing Trustees may be assigned to new classes in order to achieve a balanced number of Trustees among the classes. The proposed new class assignments are listed below. Each Trustee's term of office will expire at the Annual Meeting of Shareholders noted below.

TERM EXPIRES AT 2002 ANNUAL MEETING	TERM EXPIRES AT 2003 ANNUAL MEETING	TERM EXPIRES AT 2004
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Marshall N. Cohan*	John W. Ballen	Lawrence H. Cohn, M.D.
William R. Gutow	William J. Poorvu	Sir J. David Gibbons,
J. Atwood Ives	J. Dale Sherratt	Lawrence T. Perera
Abby M. O'Neill	Ward Smith	Walter E. Robb, III*
Jeffrey L. Shames		Arnold D. Scott
		Elaine R. Smith

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 \* As noted above, these Trustees are retiring as of December 31, 2001.

If, before the election, any nominee refuses or is unable to serve, proxies will be voted for a replacement nominee designated by your current Trustees. You are being asked to elect all of the nominees listed in the table below and to re-elect your current Trustees. Aside from those Trustees who are retiring at the end of the year, and Dr. Cohn, Messrs. Sherratt and Smith, and Ms. O'Neill, your current Trustees will continue to serve as Trustees of your Fund even if shareholders do not approve Item 1.

The following table presents certain information regarding the Trustees (other than Messrs. Cohan and Robb, who will be retiring) and nominees for Trustee, including their principal occupations, which, unless specific dates are shown, are of more than five years duration, although the titles may not have been the same throughout.

NAME, POSITION WITH THE FUND, AGE  
 PRINCIPAL OCCUPATION AND OTHER DIRECTORSHIPS(1)

JEFFREY L. SHAMES\* (born 6/2/55) Trustee, Chairman and President  
 Massachusetts Financial Services Company, Chairman and Chief Executive  
 Officer.

JOHN W. BALLEEN\* (born 9/12/59) Nominee for Trustee

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Massachusetts Financial Services Company, President and Director.

LAWRENCE H. COHN, M.D. (born 3/11/37) Trustee  
Brigham and Women's Hospital, Chief of Cardiac Surgery; Harvard Medical School, Professor of Surgery.

THE HON. SIR J. DAVID GIBBONS, KBE (born 6/15/27) Trustee  
Edmund Gibbons Limited (diversified holding company), Chief Executive Officer; Colonial Insurance Company Ltd., Director and Chairman; Bank of Butterfield, Chairman (until 1997).

WILLIAM R. GUTOW (born 9/27/41) Nominee for Trustee  
Private investor and real estate consultant; Capitol Entertainment Management Company (video franchise), Vice Chairman.

J. ATWOOD IVES (born 5/1/36) Nominee for Trustee  
Private investor; Eastern Enterprises (diversified services company), Chairman, Trustee and Chief Executive Officer (until November 2000); KeySpan Corporation (energy related services), Director.

ABBY M. O'NEILL (born 4/27/28) Trustee  
Private investor; Rockefeller Financial Services, Inc. (investment advisers), Chairman and Chief Executive Officer.

LAWRENCE T. PERERA (born 6/23/35) Nominee for Trustee  
Hemenway & Barnes (attorneys), Partner.

WILLIAM J. POORVU (born 4/10/35) Nominee for Trustee  
Harvard University Graduate School of Business Administration, Adjunct Professor; CBL & Associates Properties, Inc. (real estate investment trust), Director; The Baupost Fund (a mutual fund), Vice Chairman and Trustee.

ARNOLD D. SCOTT\* (born 12/16/42) Trustee  
Massachusetts Financial Services Company, Senior Executive Vice President and Director.

J. DALE SHERRATT (born 9/23/38) Trustee  
Insight Resources, Inc. (acquisition planning specialists), President; Wellfleet Investments (investor in health care companies), Managing General Partner (since 1993); Cambridge Nutraceuticals (professional nutritional products), Chief Executive Officer (until May 2001); Paragon Trade Brands, Inc. (disposable consumer products), Director.

ELAINE R. SMITH (born 4/25/46) Nominee for Trustee  
Independent consultant.

WARD SMITH (born 9/13/30) Trustee  
Private investor.

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- (1) Directorships or trusteeships of companies required to report to the Securities and Exchange Commission (i.e., "public companies").
- \* "Interested person" of MFS within the meaning of the Investment Company Act of 1940 (referred to as the 1940 Act), which is the principal federal law governing investment companies like the Fund. The address of MFS is 500 Boylston Street, Boston, Massachusetts.

Each Trustee holds comparable positions with certain affiliates of MFS or with certain other funds of which MFS or a subsidiary is the investment adviser or distributor. Messrs. Ballen, Ives, Perera, and Poorvu and Ms. Smith serve as board members of 45 funds within the MFS Family of Funds. Dr. Cohn, Messrs. Gibbons, Sherratt and Smith and Ms. O'Neill serve as board members of

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42 funds within the MFS Family of Funds. Mr. Gutow serves as a board member of 73 funds within the MFS Family of Funds. Messrs. Scott and Shames serve as board members of 115 funds within the MFS Family of Funds.

Information about Trustee compensation, Trustee retirement plan arrangements and the executive officers of your Fund appears under "Fund Information" beginning on page 14.

Your current Board of Trustees meets regularly throughout the year to discuss matters relating to your Fund. The Board has a standing Audit Committee, currently composed of Messrs. Cohan, Robb, Sherratt and Smith, to review the internal and external accounting and auditing procedures of your Fund and, among other things, to consider the selection of independent public accountants for your Fund, to approve all significant services proposed to be performed by those accountants and to consider the possible effect of the services on the independence of those accountants. The Audit Committee consists only of Trustees who are not "interested persons" of your Fund as defined in the 1940 Act and who are independent of the Fund as defined by New York Stock Exchange Listing Standards. The Fund's Audit Committee Charter appears in Appendix A to this proxy statement. The Audit Committee's report on the Fund's most recent audited financials is included in Item 6 below.

The Board has also created a Nominating Committee, composed solely of all of the current Trustees who are not "interested persons" of the Fund as defined in the 1940 Act, that is responsible for recommending qualified candidates to the Board in the event that a position is vacated or created. The Nominating Committee would consider recommendations by shareholders if a vacancy were to exist. Shareholders wishing to recommend Trustee candidates for consideration by the Nominating Committee may do so by writing the Fund's Secretary. Members of the Nominating Committee confer periodically and hold meetings as required.

Information about Board and Committee meetings held by the Fund appears under "Fund Information" beginning on page 14. Each Trustee attended at least 75% of the Board and applicable Committee meetings noted.

The Fund's declaration of trust currently provides that the Fund will indemnify its Trustees and officers against liabilities and expenses incurred in connection with litigation in which they may be involved because of their offices with the Fund, unless it is finally adjudicated or, in case of a settlement, it has been determined by Trustees not involved in the matter or independent legal counsel, that they have not acted in good faith in the reasonable belief that their actions were in the best interests of the Fund or that they engaged in willful misfeasance or acted with bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his or her office.

### REQUIRED VOTE

Approval of this proposal as to any nominee will require the affirmative vote of a plurality of the outstanding shares of your Fund voting at the Meeting in person or by proxy.

THE BOARD OF TRUSTEES UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF EACH NOMINEE AS A TRUSTEE.

ITEM 2 -- TO AUTHORIZE THE TRUSTEES TO ADOPT AN AMENDED AND RESTATED DECLARATION OF TRUST.

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The Fund is organized as a Massachusetts business trust. Under Massachusetts law, a business trust usually operates under a charter or organizational document, called a declaration of trust, that contains various provisions relating primarily to how the trust conducts business and how the trust is governed. The Fund operates under a declaration of trust.

At the Meeting, you will be asked to authorize your Trustees to adopt for your Fund the Amended and Restated Declaration of Trust appearing in Appendix B to this proxy statement (called, in this proxy statement, the Restated Declaration). The Restated Declaration amends and restates the existing declaration of trust of the Fund (called, in this proxy statement, the Existing Declaration) in its entirety. The Trustees have approved the Restated Declaration and recommend that you authorize the Trustees to adopt it. The Restated Declaration is the standard form that will be used for all MFS closed-end funds organized as Massachusetts business trusts in the future.

The Restated Declaration gives the Trustees more flexibility and, subject to applicable requirements of the 1940 Act and Massachusetts law, broader authority to act. This increased flexibility may allow the Trustees to react more quickly to changes in competitive and regulatory conditions and, as a consequence, may allow the Fund to operate in a more efficient and economical manner. Adoption of the Restated Declaration will not alter in any way the Trustees' existing fiduciary obligations to act with due care and in the shareholders' interests.

You should note that your Fund's investments and investment policies will not change by virtue of the adoption of the Restated Declaration. However, certain of your Fund's investment policies will be affected by other items in this proxy statement.

The Restated Declaration makes a number of significant changes to the Existing Declaration. Certain of these changes give the Trustees greater flexibility and broader authority to act without shareholder approval. The most significant changes are summarized below. In addition to the changes described below, there are other substantive and stylistic differences between the Restated Declaration and the Existing Declaration. The following summary is qualified in its entirety by reference to the Restated Declaration itself in Appendix B. The attached Restated Declaration has been marked to show changes from the Existing Declaration.

### SIGNIFICANT CHANGES

1. REORGANIZATION. The Restated Declaration permits the Trustees, without shareholder approval, to change the Fund's form of organization, reorganize all or a portion of the Fund into a newly created entity or a newly created series of an existing entity, or incorporate all or a portion of the Fund as a newly created entity. The Existing Declaration requires shareholder approval for this type of reorganization.

Under certain circumstances, it may not be in the shareholders' interests to require a shareholder meeting to permit all or a portion of the Fund to reorganize into another entity or to incorporate. For example, in order to reduce the cost and scope of state regulatory requirements or to take advantage of a more favorable tax treatment offered by another state, the Trustees may determine that it would be in the shareholders' interests to reorganize the Fund to domicile it in another state or to change its legal form. Under the Existing Declaration, the Trustees cannot effectuate such a potentially beneficial reorganization without first conducting a shareholder meeting and incurring the attendant costs and delays. The Restated Declaration gives the Trustees the flexibility to reorganize all or a portion of the Fund and achieve potential shareholder benefits without incurring the delay and potential costs of a proxy solicitation. This flexibility should help to

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assure that the Fund operates under the most appropriate form of organization.

The Restated Declaration requires that shareholders receive written notification of any reorganization transaction.

The Restated Declaration does not permit the Fund to merge with or sell its assets to another operating entity without first obtaining shareholder approval.

2. FUTURE AMENDMENTS. The Restated Declaration may be amended without shareholder approval in most cases. The Existing Declaration may be amended without shareholder approval only in certain limited circumstances. Under the Restated Declaration, shareholders generally retain the right to vote on any amendment affecting their voting powers, on any amendment affecting the amendment provisions of the Restated Declaration, on any amendment required by law or by the applicable Fund's registration statement to be approved by shareholders, and on any amendment submitted to shareholders by the Trustees. By allowing amendment of the Restated Declaration without shareholder approval except as noted above, the Restated Declaration gives the Trustees the necessary authority to react quickly to future contingencies.

The Restated Declaration also permits the Trustees to adopt By-Laws concerning the conduct of business of the Fund and to amend or repeal the By-Laws at any time so long as the By-Laws are not inconsistent with the Restated Declaration.

3. INVESTMENT IN OTHER INVESTMENT COMPANIES. The Restated Declaration permits the Fund to invest in other investment companies to the extent not prohibited by the 1940 Act, and rules and regulations thereunder. Recent amendments to the 1940 Act permit investment companies to invest their assets in one or more registered investment companies so long as certain conditions are met. It is possible that there could be additional amendments to the 1940 Act in the future which affect investment companies' ability to invest in other funds. An investment structure where a fund invests all of its assets in a single investment company is sometimes referred to as a "master/feeder" structure. An investment structure where a fund invests its assets in more than one investment company is sometimes referred to as a "fund-of-funds" structure. Both the master/feeder and fund-of-funds structure attempt to achieve economies of scale and efficiencies in portfolio management by consolidating portfolio management with other investment companies, while permitting a fund to retain its own characteristics and identity.

The Restated Declaration will permit the Fund to take advantage of the recent changes in law, as well as any future changes in law or regulation on this topic. Under the Restated Declaration, the Trustees have the power to implement a master/feeder, fund-of-funds or other similar structure without seeking shareholder approval. If the Fund invests in other investment companies, the Fund will indirectly bear expenses, such as management fees, of those other investment companies, in addition to the Fund's own expenses. While the Trustees have no current intention of implementing a master/feeder, fund-of-funds or other similar structure at this time, the Trustees believe circumstances could arise in which it would in the best interest of the Fund to do so at a future date. Shareholders of the Fund would be notified if the Trustees decide to implement such a structure for the Fund, and the Fund will not implement such a structure unless its investment restrictions permit it to do so. Item 3 below also seeks approval of changes to the Fund's investment restrictions that would permit the use of these structures.

4. TERMINATION OF THE FUND. The Restated Declaration permits the Trustees, without shareholder approval, to terminate the Fund. The Existing Declaration permits the Trustees to terminate the Fund only with shareholder approval. The Board of Trustees may determine that it is in the shareholders' best interests

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to terminate the Fund, for example, because the Fund is not big enough to operate on an economical basis. Shareholders of the Fund would be notified if the Trustees decide to terminate the Fund.

### OTHER CHANGES

The Restated Declaration also changes the Existing Declaration as follows:

1. The Restated Declaration permits the Fund to enter into and amend advisory and subadvisory agreements without shareholder approval if permitted by applicable law.

2. The Restated Declaration explicitly allows the Trustees, with shareholder approval, to effect mergers, reorganizations and similar transactions through a variety of methods, including share-for-share exchanges, transfers or sales of assets, and exchange offers.

3. The Restated Declaration provides for (i) the removal of any Trustee with or without cause at any time by the affirmative vote of two-thirds of the outstanding shares of the trust or by the vote of three-quarters of the Trustees, and (ii) the automatic retirement of Trustees in accordance with any retirement policy set by the Trustees. The Restated Declaration does not require the Trustees to provide notice to shareholders of the appointment of a new Trustee.

4. The Restated Declaration no longer requires that the number of Trustees be fixed in writing or that Trustees be appointed in writing, but permits these actions to be taken at Board meetings. The Restated Declaration also provides that the Trustees may act by a two-thirds majority (rather than unanimous) written consent. The Restated Declaration permits electronic delivery to shareholders of notices and other information, and simplifies the information delivery requirements for shareholders in the same household. These provisions are intended to simplify administration of the Fund's affairs.

5. The Restated Declaration confirms and clarifies various existing Trustee powers. For example, the Restated Declaration clarifies that, among other things, the Trustees may delegate authority to investment advisers and other agents, purchase insurance insuring Fund assets, employees, Trustees and Trustees Emeritus, and invest Fund assets in all types of investments including derivatives. The Restated Declaration also provides that the Trustees may, but are not obligated to, employ a custodian for the safekeeping of Fund assets.

6. The Restated Declaration provides that by becoming a shareholder of the Fund each shareholder shall be held expressly to have assented to and agreed to be bound by the provisions of the Restated Declaration.

7. The Restated Declaration provides that except when a larger vote is required by applicable law or by any provision of the Declaration, the By-Laws, a majority of the shares voted in person or by proxy on a matter will decide that matter and a plurality will elect a Trustee. A similar provision is contained in the Fund's By-Laws.

8. The Restated Declaration provides that rights to indemnification or insurance cannot be limited retroactively.

9. The Restated Declaration provides that shareholders may not bring suit on behalf of the Fund without first requesting that the Trustees bring such suit unless there would be irreparable injury to the Fund or if a majority of the Trustees has personal financial interest in the action. Trustees are not considered to have a personal financial interest by virtue of being

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compensated for their services as Trustees or as trustees of funds with the same or an affiliated investment adviser or distributor. The effect of this provision may be to discourage suits brought on behalf of the Fund by its shareholders. This provision is not intended to impair the rights of shareholders under federal law. A similar provision currently appears in the Fund's By-Laws.

10. The Restated Declaration provides that actions taken by the Trustees and officers in good faith and with reasonable care are binding on all concerned.

### ADDITIONAL INFORMATION

Like the Existing Declaration, the Restated Declaration has certain provisions which could have the effect of limiting the ability of other entities or persons to acquire control of the Fund, to cause it to merge with or sell its assets to another operating entity, to terminate the Fund, or to modify its structure. In addition, the Restated Declaration, like the Existing Declaration, requires the affirmative vote or consent of the holders of 66 2/3% of the Fund's shares (a greater vote than that required by the 1940 Act) to authorize the conversion of the Fund from a closed-end to an open-end investment company. The foregoing provisions will make more difficult a change in the Fund's management without the Trustees' approval, and 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 the Fund in a tender offer or similar transaction. However, the Board of Trustees has considered these provisions and believes that they are in the shareholders' best interests and benefit shareholders by providing the advantage of potentially requiring persons seeking control of the Fund to negotiate with its management regarding the price to be paid and facilitating the continuity of the Fund's management.

### REQUIRED VOTE

Approval of the Restated Declaration requires the affirmative vote of 66 2/3% of the shares of the Fund outstanding and entitled to vote.

THE BOARD OF TRUSTEES UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR AUTHORIZING THE TRUSTEES TO ADOPT THE AMENDED AND RESTATED DECLARATION OF TRUST.

ITEM 3 -- TO AMEND, REMOVE OR ADD CERTAIN FUNDAMENTAL INVESTMENT POLICIES OF THE FUND.

The Fund has adopted certain investment restrictions or policies that are "fundamental," meaning that as a matter of law they cannot be changed without shareholder approval. The Fund's fundamental policies reflect certain regulatory, business or industry conditions at the time they were adopted. Changes in applicable law now permit investment companies like the Fund to revise or eliminate certain of these policies.

The Fund's Board of Trustees, together with the Fund's officers and MFS, have reviewed the Fund's current fundamental policies, and have concluded that certain policies should be eliminated or revised based on the development of new practices and changes in applicable law and to facilitate administration of the Fund. The proposed revised policies for the Fund are listed in Appendix C. At the Meeting, shareholders will be asked to approve the revised policies and to eliminate all other fundamental policies.

The revised policies maintain important investor protections while providing flexibility to respond to changing markets, new investment

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opportunities and future changes in applicable law. In some cases, only technical changes are being made. The Trustees believe that implementing the revised policies will facilitate MFS's management of the Fund's assets and simplify the process of monitoring compliance with investment policies. The revised policies (with variations required by the specific investment focus of a fund) will be the standard form for funds in the MFS fund complex.

THE REVISED POLICIES DO NOT AFFECT THE INVESTMENT OBJECTIVES OF THE FUND, WHICH REMAIN UNCHANGED. THE FUND WILL CONTINUE TO BE MANAGED IN ACCORDANCE WITH THE INVESTMENT POLICIES DESCRIBED IN THE PROSPECTUS AND IN ACCORDANCE WITH FEDERAL LAW. THE REVISED POLICIES WOULD GIVE THE FUND INCREASED ABILITY TO ENGAGE IN CERTAIN ACTIVITIES. THE TRUSTEES MAY CONSIDER AND ADOPT SUCH NON-FUNDAMENTAL INVESTMENT POLICIES FOR THE FUND AS THEY DETERMINE TO BE APPROPRIATE AND IN THE SHAREHOLDERS' BEST INTERESTS. THE TRUSTEES DO NOT ANTICIPATE THAT THE REVISED POLICIES, INDIVIDUALLY OR IN THE AGGREGATE, WILL CHANGE TO A MATERIAL DEGREE THE LEVEL OF INVESTMENT RISK ASSOCIATED WITH AN INVESTMENT IN THE FUND.

Each investment policy proposed to be revised, eliminated or added is discussed below. Appendix C lists the fundamental policies that will apply to the Fund if shareholders of the Fund approve this proposal. Appendix D lists the Fund's current fundamental investment policies and the proposed action to be taken with respect to each policy.

### A. BORROWING

It is proposed that the policy concerning borrowing be changed so that the Fund may borrow money to the fullest extent permitted by applicable law.

Currently, the Fund may borrow up to one-third of its assets as a temporary measure for extraordinary or emergency purposes, for a repurchase of its shares, or for making short sales against the box. The Fund may not purchase any investments when borrowings are outstanding, except that it will honor prior commitments to purchase securities.

The 1940 Act, which is the federal law that governs investment companies like the Fund, does not require that borrowings be made only for limited purposes, nor does the 1940 Act require any limit on assets pledged to secure borrowings. It is possible that the Fund's existing policies could prevent it from borrowing when it is in the best interests of shareholders to do so. The revised policy will give the Fund the maximum amount of flexibility to borrow permitted by applicable law. Currently, the 1940 Act permits investment companies like the Fund to borrow money so long as there is 300% asset coverage of the borrowings at the time of the loan. This means that at the time of the loan borrowings cannot exceed one-third of an investment company's total assets after subtracting liabilities other than the borrowings. While the statutory test currently is similar to the Fund's existing policy, the revised policy would allow the Fund to take advantage of any future changes in the statutory test.

Investment companies like the Fund generally borrow money to try to enhance returns to shareholders (this is referred to as leverage). Borrowing money creates risks and expenses for the Fund and may make the Fund's net asset value more volatile. The interest and other costs of borrowing may reduce the Fund's return. The Fund also could be forced to sell securities at inopportune times to repay loans.

### B. UNDERWRITING SECURITIES

It is proposed that the policy concerning underwriting securities be changed so that the Fund may not underwrite securities issued by other persons, except that all or any portion of the assets of the Fund may be



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invested in one or more investment companies, to the extent not prohibited by the 1940 Act and exemptive orders granted under such Act, and except insofar as the Fund may technically be deemed an underwriter under the Securities Act of 1933, as amended, in selling a portfolio security. The revised policy also provides that the Fund is not deemed to underwrite securities by virtue of employing a master/feeder or fund-of-funds investment structure as permitted by applicable law. Utilizing these investment structures is discussed in Item 2 of this proxy statement (under "Significant Changes -- 3. Investment in Other Investment Companies").

Currently, the Fund is prohibited from underwriting securities issued by others except to the extent the Fund may be deemed to be an underwriter, under the federal securities laws, when it sells portfolio securities.

### C. ISSUANCE OF SENIOR SECURITIES

It is proposed that the policy concerning the issuance of senior securities be changed so that the Fund may issue senior securities to the fullest extent permitted by applicable law. For purposes of this restriction, collateral arrangements with respect to swaps, options, futures, forwards and initial and variation margin are not deemed to be the issuance of a senior security.

Currently, the Fund is subject to a fundamental policy that provides that it may not issue any senior securities except as permitted by the 1940 Act. Certain technical changes are being made to this policy to clarify the circumstances in which the Fund may issue senior securities, including pursuant to any exemptive relief under the 1940 Act. In addition, the revised policy clarifies and expands the types of collateral arrangements that are excluded from the restriction to include swaps and forward contracts.

### D. LENDING OF MONEY OR SECURITIES

It is proposed that the policy concerning lending money be changed so that the Fund may make loans to the fullest extent permitted by applicable law.

Currently, the Fund is prohibited from lending money. The Fund may lend its securities, but not in excess of 30% of its total assets (taken at market value). Investments in commercial paper, debt securities and repurchase agreements are not treated as loans for purposes of these policies. The revised policy will permit the Fund to make loans, whether of money or securities, so long as the transactions are permitted by applicable law.

Lending securities may be a source of income to the Fund and is permitted under the 1940 Act, subject to certain limitations. As with other extensions of credit, there are risks of delay in recovery or even loss of rights in the underlying securities should the borrower of the securities fail financially. However, loans would be made in accordance with procedures approved by the Trustees only to firms deemed by MFS to be of good standing, and when, in the judgment of MFS, the income from securities loans justifies the attendant risk.

It is unlikely that the Fund would lend money, except to the extent that the purchase of debt securities can be considered a loan; however, the Fund could lend money to other funds advised by MFS or one of its affiliates. The Fund would have to obtain exemptive relief from the Securities and Exchange Commission (referred to as the SEC) to make loans to other MFS-advised funds.

### E. REAL ESTATE, OIL AND GAS, MINERAL INTERESTS, AND COMMODITIES

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It is proposed that the policy concerning real estate, oil, gas and mineral interests, and commodities be changed, so that the Fund may not purchase or sell real estate, interests in oil, gas or mineral leases, commodities or commodity contracts in the ordinary course of its business. Under this policy, the Fund will be able to invest in securities secured by real estate and securities of companies that deal in real estate, as well as options and futures and forward contracts, and the Fund also will retain the right to hold and sell real estate, mineral leases, commodities or commodity contracts acquired as a result of the ownership of securities.

The revised policy clarifies that the restrictions relating to investments in real estate and commodities do not apply to investments in currencies, any type of option contract, futures contracts, forward contracts, and securities of companies, such as real estate investment trusts, which deal in real estate or interests therein.

### F. INDUSTRY CONCENTRATION -- ADDITION OF POLICY

The Fund currently does not have a concentration policy. It is proposed that a policy concerning concentration in a particular industry be added so that the Fund may not purchase securities of an issuer of a particular industry if as a result 25% or more of the Fund's total assets (taken at market value at the time of purchase) would be invested in securities of issuers whose principal business activities are in the same industry.

### G. PURCHASING SECURITIES ON MARGIN -- REMOVAL OF POLICY

The Fund has a fundamental policy that prevents the Fund from purchasing any security on margin. Margin transactions generally involve the purchase of securities with money borrowed from a broker, with cash or securities being used as collateral for the loan. MFS has recommended the elimination of this policy on margin transactions to provide the Fund with the maximum amount of flexibility permitted by applicable law, and any future changes in law, on this topic. Accordingly, it is proposed that this policy be deleted in its entirety.

### H. SHORT SALES -- REMOVAL OF POLICY

Currently, the Fund is prohibited from making short sales of securities, except that the Fund may make short sales "against the box" (short sales where the Fund owns or has the right to acquire at no added cost securities identical to those sold short) subject to the limitation that not more than 10% of the Fund's net assets (taken at market value) is held as collateral for such sales at any one time. The 1940 Act prohibits investment companies from making short sales of securities except in accordance with SEC rules and regulations. The SEC has not adopted any rules or regulations relating to short sales, except that the staff of the SEC regards a short sale as a form of leverage and has taken positions with respect to the use of leveraging transactions. Accordingly, the Fund's investment policy is more restrictive than applicable law. The Fund is proposing to delete this policy in its entirety in order to have the maximum amount of flexibility permitted by applicable law, and any future changes in law, on this topic.

In a typical short sale the Fund borrows securities from a broker that it anticipates will decline in value in order to sell to a third party. The Fund becomes obligated to return securities of the same issue and quantity at some future date, and it realizes a profit or loss depending upon whether the market price of the security decreases or increases between the date of the short sale and the date on which the Fund must replace the borrowed security. Because the value of a particular security can increase without limit, the Fund could potentially realize losses with respect to short sales that are not "against the box" that could be significantly greater than the value of the

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securities at the time they are sold short, and such losses could also be unlimited.

### I. INVESTMENTS IN A SINGLE ISSUER -- REMOVAL OF POLICY

Currently, the Fund is prohibited from purchasing the securities of any issuer if, as a result, the Fund would hold more than 10% of the voting securities of the issuer.

Although the Fund is non-diversified, the Fund must meet certain diversification requirements under the Internal Revenue Code in order to qualify for beneficial tax treatment as a regulated investment company. These diversification requirements provide in part that as to 50% of the fund's assets, investments in any one issuer cannot exceed 5% of the fund's assets and the fund cannot hold more than 10% of the issuer's outstanding voting securities at the end of each quarter. The Fund intends to qualify as a regulated investment company for tax purposes.

The Fund's current diversification policies are more restrictive than required for the Fund to qualify as a regulated investment company. The Trustees believe that it is unnecessary to have fundamental policies that are more restrictive than what the Internal Revenue Code requires. Accordingly, the Fund proposes to delete this investment policy.

To the extent that the Fund invests its assets in a small number of issuers, the Fund is more susceptible to any single economic, political or regulatory event affecting those issuers.

### J. ILLIQUID INVESTMENTS -- REMOVAL OF POLICY

Currently, the Fund is prohibited from investing more than 10% of its assets (taken at market value) in securities of issuers which are not readily marketable. This investment policy is more restrictive than the current policies of the SEC. The staff of the SEC takes the position that open-end funds should limit their investments in securities that are not readily marketable, or illiquid securities, to no more than 15% of their net assets because a higher percentage could make it more difficult to satisfy the funds' ongoing obligations to redeem fund shares. The staff has not taken the same position for closed-end funds, like this Fund, which do not have the same redemption obligations. The Fund wishes to remove the current fundamental policy in order to have the full flexibility permitted by applicable law and policy positions, and any future changes in law and policy, on this topic.

To the extent the Fund invests in illiquid securities, the inability to value or sell these securities at a fair price could have a negative impact on the Fund's performance. Of course, the Fund will continue to adhere to applicable rules and policies relating to investments in illiquid securities. Current SEC policies require that a fund's ability to invest in illiquid securities should be disclosed in its prospectus. The Fund's prospectus complies with this policy.

### REQUIRED VOTE

Approval of this Item will require the affirmative vote of the holders of a "majority of the outstanding voting securities" of the Fund.

THE BOARD OF TRUSTEES HAS CONCLUDED THAT THE PROPOSAL TO AMEND, REMOVE OR ADD THE FUNDAMENTAL INVESTMENT POLICIES OF THE FUND WILL BENEFIT THE FUND AND ITS SHAREHOLDERS. THE TRUSTEES UNANIMOUSLY RECOMMEND VOTING FOR THE PROPOSAL.

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ITEM 4 -- TO CHANGE THE FUND'S INVESTMENT POLICY RELATING TO INVESTMENTS IN U.S. AND FOREIGN GOVERNMENT SECURITIES FROM FUNDAMENTAL TO NON-FUNDAMENTAL.

The Fund has adopted a policy requiring it to invest, under normal circumstances, at least 65% of its assets in U.S. and foreign government securities. Currently this policy is fundamental, meaning that it may not be changed without shareholder approval. At the Meeting, shareholders of the Fund will be asked to approve changing this policy from fundamental to non-fundamental. A non-fundamental policy may be changed by the Trustees. The Trustees have no current intention to change this investment policy for the Fund.

Permitting this policy to be changed without shareholder approval will provide the Fund with greater flexibility should such a change be warranted due to changing regulations or economic or market conditions. Of course, shareholders would be notified of any future change.

### REQUIRED VOTE

Approval of this Item will require the affirmative vote of the holders of a "majority of the outstanding voting securities" of the Fund.

THE BOARD OF TRUSTEES HAS CONCLUDED THAT THIS PROPOSAL WILL BENEFIT THE FUND AND ITS SHAREHOLDERS. THE TRUSTEES UNANIMOUSLY RECOMMEND VOTING FOR THE PROPOSAL.

ITEM 5 -- TO APPROVE A NEW INVESTMENT ADVISORY AGREEMENT WITH MASSACHUSETTS FINANCIAL SERVICES COMPANY.

At the Meeting, you will be asked to approve a new Investment Advisory Agreement between your Fund and MFS. The investment management fee payable by your Fund will not increase or decrease if shareholders of your Fund approve the new Investment Advisory Agreement.

Currently, each fund in the MFS Family of Funds, including your Fund, has a separate Investment Advisory Agreement with MFS. These Investment Advisory Agreements were entered into at various times over the past several decades, and their provisions differ. MFS has recommended that the provisions of all of the Investment Advisory Agreements be standardized and modernized. MFS believes that the standardization and modernization of the Investment Advisory Agreements will simplify the administration of the Fund and other funds in the MFS Family of Funds.

The discussion below describes the principal differences between the current and proposed Investment Advisory Agreement (referred to as the Current Agreement and the New Agreement) and provides additional information about MFS and about the Board's review of the New Agreement. The New Agreement will be the standard form for all U.S. registered funds in the MFS fund complex.

The information provided herein is intended to be a summary of the material changes between the Current Agreement and the New Agreement. This summary is qualified in its entirety by reference to the comparison of the Current Agreement and the New Agreement in Appendix E. In particular, please refer to Appendix E for additional information about other technical changes that were made to the New Agreement.

### A. CURRENT AGREEMENT

MFS has served as the investment adviser for the Fund since the

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commencement of the Fund's operations. The Current Agreement, dated January 28, 1988, was last approved by the Fund's sole shareholder on February 26, 1988 in connection with the Fund's commencement of operations.

Under the Current Agreement, MFS provides the Fund with overall investment advisory services. Subject to such policies as the Trustees may determine, MFS makes investment decisions for the Fund. For these services and facilities, MFS receives an annual management fee, computed and paid monthly in an amount equal to the lesser of the sum of 0.32% of the average daily net assets of the Fund and 5.65% of the daily gross income (i.e., income other than gains from the sale of securities, short-term gains from options and futures transactions and premium income from options written). For the fiscal year ended October 31, 2000, MFS received \$7,095,954 from the Fund as compensation under the Current Agreement.

MFS pays the compensation of the Fund's officers and of any Trustee who is an officer of MFS. MFS also furnishes at its own expense all necessary administrative services, including office space, equipment, clerical personnel, investment advisory facilities and all executive and supervisory personnel necessary for managing the Fund's investments and effecting its portfolio transactions. The Fund pays the compensation of its Trustees who are not officers of MFS and all expenses of the Fund (other than those assumed by MFS). More detailed information about the expenses paid by the Fund is discussed under "Changes Proposed in the New Agreement" below.

### B. CHANGES PROPOSED IN THE NEW AGREEMENT

#### 1. Advice regarding Other Instruments

The Current Agreement provides that MFS will continuously furnish an investment program for the Fund and determine from time to time what securities will be purchased, sold or exchanged and what portion of the assets of the Fund will be held uninvested. The New Agreement provides that MFS will determine what securities or other instruments will be purchased, sold or exchanged for the Fund. The change clarifies that MFS may provide advice as to certain investments, such as some derivative contracts, that may not be considered securities. Certain other references to "securities" have been changed to "securities or other instruments" throughout the New Agreement. This change is not intended to change the type of investments in which the Fund may invest. The Fund's investments are governed by its registration statement.

#### 2. Proxy Voting

The New Agreement clarifies that MFS will exercise voting rights, rights to consent to corporate actions and any other rights pertaining to the Fund's portfolio securities in accordance with policies and procedures that MFS presents to the Trustees from time to time. The Current Agreement provides that MFS may make recommendations as to the manner in which rights relating to portfolio securities are exercised. This provision in the New Agreement more closely reflects MFS's current practice with respect to the exercise of rights pertaining to the Fund's portfolio securities.

#### 3. Brokerage Transactions

The Current Agreement provides that in connection with the selection of brokers and dealers and the placing of orders, MFS is directed to seek for the Fund execution of transactions at the best available price.

The New Agreement provides that, in connection with the selection of brokers or dealers and the placing of orders, MFS is directed to seek for the Fund the best overall price and execution available from responsible brokerage

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firms, taking into account all factors it deems relevant, including by way of illustration: price, the size of the transaction; the nature of the market for the security; the amount of the commission; the timing and impact of the transaction taking into account market prices and trends; the reputation, experience and financial stability of the broker or dealer involved; and the quality of services rendered by the broker or dealer in other transactions. This provision clarifies that MFS may consider factors other than just price when seeking to obtain best execution for the Fund's transactions. Under the policies of the SEC, MFS considers the full range and quality of a broker's services in placing brokerage orders in order to fulfill its duty to obtain best execution for the Fund's transactions.

The New Agreement provides that MFS may cause the Fund to pay a broker or dealer a higher commission than another broker or dealer might have charged for effecting that transaction, if MFS determines, in good faith, that the higher commission was reasonable in relation to the value of brokerage and research services provided by the broker or dealer. The value of these brokerage and research services may be viewed in terms of either the Fund's particular transactions or MFS's overall responsibilities with respect to the Fund and MFS's other clients. The Fund's Current Agreement provides that subject to the requirement of seeking the best available price, securities may be bought from or sold to broker dealers who have furnished statistical, research and other information or services to MFS.

The New Agreement also provides that, subject to seeking the best price and execution as described above, and in accordance with applicable rules and regulations, MFS may consider sales of shares of the Fund or of other MFS funds or accounts as a factor in the selection of brokers and dealers.

The additional provisions in the New Agreement are not intended to change the current practice of MFS as to its consideration of brokerage and research services and sales of Fund shares in the selection of brokers and dealers.

#### 4. Expenses

The Current Agreement provides that the Fund will pay all of its own expenses. The Current Agreement contains a list of typical Fund expenses. This list of expenses has been amended in the New Agreement to include organizational and start up costs; and such non-recurring or extraordinary expenses as may arise, including those relating to actions, suits or proceedings to which the Fund is a party or otherwise may have an exposure and the legal obligation which the Fund may have to indemnify the Trustees and officers with respect thereto. This amendment is being proposed in order to provide a standardized list of Fund expenses within the MFS Family of Funds.

The New Agreement provides that if MFS pays or assumes any expenses of the Fund, MFS is not obligated by the New Agreement to pay or assume the same or similar expenses of the Fund on any subsequent occasion.

These amendments are designed to clarify the types of expenses which the Fund may bear.

#### 5. Certain Recordkeeping Services by MFS

The New Agreement adds a provision that MFS must maintain certain records in a form acceptable to the Fund and in compliance with the rules and regulations of the SEC. MFS currently maintains such records, even without the express obligation to do so.

#### 6. Sub-Advisory Agreements

The New Agreement provides that the Adviser may from time to time enter

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into investment sub-advisory agreements with respect to the Fund with one or more investment advisers with such terms and conditions as MFS may determine, provided that such investment sub-advisory agreements have been approved in accordance with the provisions of applicable law. Under applicable law, any new investment sub-advisory agreement generally must be submitted to shareholders for approval, subject to limited exceptions. It is not currently intended that MFS enter into an investment sub-advisory agreement with respect to the Fund, but MFS has in the past engaged investment sub-advisers with respect to other MFS funds and may seek to engage sub-advisers for the Fund in the future.

### 7. Other Agreements with MFS

The New Agreement adds a provision that the Fund may enter into such other agreements covering the provision of administrative and other additional services to the Fund as the Trustees may deem appropriate, and that such an agreement will not expand, reduce or otherwise alter the services which MFS is required to provide, or the compensation which MFS is due, under the Agreement. These other agreements may be with MFS, an affiliate of MFS or a third party.

These amendments are not intended to change the services MFS is required to provide, or change the fees paid to MFS.

### 8. Other Clients of MFS

The Current Agreement for the Fund provides that the services of MFS to the Fund are not exclusive, and that MFS is free to render investment and/or other services to others. The New Agreement adds an express acknowledgment by the Fund that it is possible that certain funds or accounts managed by MFS or its affiliates may at times take investment positions or engage in investment techniques which are contrary to positions taken or techniques engaged in on behalf of the Fund, but that MFS will at all times endeavor to treat all of its clients in a fair and equitable manner.

Under the New Agreement, the Fund acknowledges that whenever the Fund and one or more other funds or accounts advised by MFS have money available for investment, investments suitable for each will be allocated in a manner believed by MFS to be fair and equitable to each entity. Similarly, opportunities to sell investments will be allocated in a manner believed by MFS to be fair and equitable to each client. In some instances, this may adversely affect the size of the position that may be acquired or disposed of for the Fund.

### 9. Other Provisions

The New Agreement adds certain other technical, legal provisions which are standard for investment advisory contracts in the investment company industry, including provisions concerning the Fund's ability to use the acronym "MFS" and related trade or service marks in its name.

## C. INFORMATION ABOUT MFS AND ITS AFFILIATES

MFS is a Delaware corporation with offices at 500 Boylston Street, Boston, Massachusetts 02116. MFS is an 81.8%-owned subsidiary of Sun Life of Canada (U.S.) Financial Services Holdings, Inc., 500 Boylston Street, Boston, Massachusetts 02116, which is in turn a wholly owned subsidiary of Sun Life Assurance Company of Canada-U.S. Operations Holdings, Inc., One SunLife Executive Park, Wellesley Hills, Massachusetts 02481. Sun Life Assurance Company of Canada-U.S. Operations Holdings, Inc. is a wholly-owned subsidiary of Sun Life Assurance Company of Canada, 150 King Street West, 14th Floor, Toronto, Canada M5H 1J9, which in turn is a wholly-owned subsidiary of Sun

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Life Financial Services of Canada, Inc. at the same address.

The Directors of MFS are Arnold D. Scott, John W. Ballen, James C. Baillie, Kevin R. Parke, Thomas J. Cashman, Jr., Joseph W. Dello Russo, William W. Scott, Jr., Donald A. Stewart, C. James Prieur and William W. Stinson. The executive officers of MFS are Jeffrey L. Shames, Chairman and Chief Executive Officer; Mr. Ballen, President; Mr. Arnold Scott, Senior Executive Vice President; Mr. Dello Russo, Executive Vice President, Chief Financial Officer and Chief Administrative Officer; Mr. Parke, Executive Vice President and Chief Investment Officer; Mr. Cashman, Executive Vice President; and Mr. William Scott, Jr., Vice Chairman. As noted above, Messrs. Arnold Scott and Shames also serve as Trustees to the Fund.

The address of each Director and executive officer of MFS is 500 Boylston Street, Boston, Massachusetts 02116. Each Director and executive officer principally devotes his time to his role at MFS.

MFS provides investment advisory services to the following funds in the MFS Family of Funds which have investment objectives and policies similar to those of the Fund. The table below lists these other funds advised by MFS, the net assets of those funds, and the management fee MFS received from those funds during the fiscal years ended on the date noted.

OTHER FUNDS ADVISED BY MFS			
FUND	NET ASSETS UNDER MANAGEMENT AS OF DECEMBER 31, 2000	MANAGEMENT FEE (AS A PERCENTAGE OF AVERAGE DAILY NET ASSETS) FOR THE FISCAL YEAR NOTED	MANAGEMENT FEE, AFTER WAIVERS (IF ANY) FOR THE FISCAL YEAR NOTED
-----	-----	-----	-----
MFS Multimarket Income Trust	\$574,334,862	0.84%(1)	N/A
MFS/Sun Life Series Trust			
Strategic Income Series	\$ 33,318,906	0.75%	N/A
-----			

(1) 0.34% of the Fund's average daily net assets plus 5.4% of the Fund's gross income.

The Fund has entered into certain other agreements with MFS or its affiliates for administrative and shareholder services. The approval of the New Agreement will not affect the services provided by MFS or its affiliates under these agreements.

MFS provides the Fund with certain financial, legal, compliance, shareholder communications and other administrative services pursuant to a Master Administrative Services Agreement. Under this Agreement, the Fund pays MFS an administrative fee of up to .0175% on the first \$2.0 billion; 0.0130% on the next \$2.5 billion; 0.0005% on the next \$2.5 billion; and 0.0% on amounts in excess of \$7.0 billion, per annum of the Fund's average daily net assets. This fee reimburses MFS for a portion of the costs it incurs to provide such services. For the fiscal year ended October 31, 2000, MFS received \$132,294 from the Fund for its services to the Fund under the Master Administrative Services Agreement.



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Pursuant to the Registrar, Transfer Agency and Service Agreement between the Fund and MFS Service Center, Inc. (referred to as MFSC), a wholly owned subsidiary of MFS, MFSC acts as the Fund's registrar and transfer agent as well as dividend disbursing agent and agent in connection with the Fund's Dividend Reinvestment and Cash Purchase Plan. For account maintenance, the Fund currently pays MFSC a fee based on the total number of accounts for all closed-end funds advised by MFS for which MFSC acts as registrar and transfer agent. If the total number of accounts is less than 75,000, the annual account fee is \$9.00 per account. If the total number of accounts is 75,000 or more, the annual account fee is \$8.00 per account. For dividend services, MFSC charges \$0.75 per dividend reinvestment and \$0.75 per cash infusion. If the total amount of fees related to dividend services is less than \$1,000 per month for all closed-end funds advised by MFS for which MFSC acts as registrar and transfer agent, the minimum fee for the Fund for these services will be \$167 per month. In addition, MFSC is reimbursed by the Fund for certain expenses incurred by MFSC on behalf of the Fund. For the fiscal year ended October 31, 2000, MFSC received \$220,650 from the Fund for its services to the Fund under the Registrar, Transfer Agency and Service Agreement.

### D. ACTIONS AND RECOMMENDATIONS OF THE BOARD OF TRUSTEES

At meetings of the Board of Trustees on April 10, June 12, June 13, and August 8, 2001, the Board considered the standardization and modernization of the advisory agreements of the Fund. The Board reviewed materials comparing the Current and New Agreement and providing information about the potential benefits and costs to shareholders of the adoption of the New Agreement. Among other things, the Board of Trustees considered that the management fees under the Current Agreement will not change under the New Agreement. The Board also considered the potential efficiencies from the proposed standardization and modernization of the Current Agreement's provisions. Based on this review, the Trustees, including the Independent Trustees, approved the terms of the New Agreement and submission of the New Agreement for the consideration of the shareholders of the Fund.

If the New Agreement is approved, it will continue for an initial two-year term. Thereafter, the New Agreement will continue as to the Fund from year to year if that continuation is approved in accordance with applicable law.

### REQUIRED VOTE

Approval of this Item will require the affirmative vote of the holders of a "majority of the outstanding voting securities" of the Fund.

YOUR TRUSTEES HAVE CONCLUDED THAT THE NEW ADVISORY AGREEMENT WITH MFS WILL BENEFIT YOUR FUND AND ITS SHAREHOLDERS. THE TRUSTEES UNANIMOUSLY RECOMMEND VOTING FOR THE PROPOSAL.

### ITEM 6 -- TO RATIFY THE SELECTION OF INDEPENDENT PUBLIC ACCOUNTANTS.

At the Meeting, you will be asked to ratify the selection of accountants for your Fund. The Trustees, including a majority of the Trustees who are not "interested persons" (within the meaning of the 1940 Act) of the Fund, have selected Deloitte & Touche LLP (referred to as Deloitte & Touche) as independent public accountants for the Fund for its next fiscal year. It is intended that proxies not limited to the contrary will be voted in favor of ratifying that selection. No change to the Fund's accountants is being proposed.

Deloitte & Touche has no direct or material indirect interest in the Fund.

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Representatives of Deloitte & Touche are not expected to be present at the meeting.

Audit Committee Report. The Audit Committee of the Board of Trustees issued the following report concerning the financial statements for the Fund's most recent fiscal year.

The Audit Committee reviewed and discussed the audited financial statements with Fund management. The Audit Committee also discussed with Deloitte & Touche the matters required to be discussed by SAS 61 (Codification of Statements on Auditing Standards). The Audit Committee received the written disclosures and the letter from Deloitte & Touche required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and discussed with Deloitte & Touche its independence.

Based on this review and these discussions, the Audit Committee recommended to the Board of Trustees that the audited financial statements be included in the Fund's annual report to shareholders for the fiscal year ended October 31, 2000 for filing with the Securities and Exchange Commission.

Marshall N. Cohan  
Walter E. Robb, III  
J. Dale Sherratt  
Ward Smith

Fees Paid to Deloitte & Touche. The following table sets forth the aggregate fees paid to Deloitte & Touche for the Fund's fiscal year ended October 31, 2000, for professional services rendered for: (i) the audit of the Fund's financial statements for that fiscal year; (ii) the audits of the annual financial statements for all funds in the MFS complex audited by Deloitte & Touche; (iii) financial information systems design and implementation services to the Fund, MFS and any entity controlling, controlled by or under common control with MFS that provides services to the Fund (including MFS Service Center, Inc.) and (iv) all other services (other than the foregoing services) to the Fund, MFS, and any entity controlling, controlled by or under common control with MFS that provides services to the Fund (this amount includes fees of \$2,729,504 for information technology consulting services rendered to MFS and MFS related entities that provide services to the Fund). The Audit Committee of the Fund considered whether the provision of information technology services and of non-audit services by Deloitte & Touche is compatible with the maintenance of that firm's independence.

AUDIT FEES PAID BY THE FUND FOR ITS MOST RECENT FISCAL YEAR	AGGREGATE AUDIT FEES PAID BY ALL FUNDS IN THE MFS COMPLEX AUDITED BY DELOITTE & TOUCHE	FINANCIAL INFORMATION SYSTEMS DESIGN AND IMPLEMENTATION FEES PAID BY THE FUND, MFS AND MFS RELATED ENTITIES THAT PROVIDE SERVICES TO THE FUND	ALL OTHER FEES LIS COLUMNS) MFS AN ENTITIE SERVIC
\$35,500	\$2,637,800	\$289,000	\$

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### REQUIRED VOTE

Approval of this proposal will require the affirmative vote of a majority of the shares of the Fund voted at the Meeting in person or by proxy.

THE BOARD OF TRUSTEES UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE RATIFICATION OF THE SELECTION OF ACCOUNTANTS.

### FUND INFORMATION

This section provides certain information about the Fund, including information about executive officers, the number of Board and Committee meetings, Trustee compensation and the identity of any shareholders holding 5% or more of the outstanding shares of the Fund.

### EXECUTIVE OFFICERS

The following table provides information about the executive officers of the Fund. Each officer will hold office until his or her successor is chosen and qualified, or until he or she retires, resigns or is removed from office.

JEFFREY L. SHAMES\* (born 6/2/55) Trustee, Chairman and President  
Massachusetts Financial Services Company, Chairman and Chief Executive Officer.

JAMES R. BORDEWICK, JR.\* (born 3/6/59) Assistant Secretary and Assistant Clerk  
Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel.

MARK E. BRADLEY\* (born 11/23/59) Assistant Treasurer  
Massachusetts Financial Services Company, Vice President (since March 1997);  
Putnam Investments, Vice President (prior to March 1997).

STEPHEN E. CAVAN\* (born 11/6/53) Secretary and Clerk  
Massachusetts Financial Services Company, Senior Vice President, General Counsel and Secretary.

ROBERT R. FLAHERTY\* (born 09/18/63) Assistant Treasurer  
Massachusetts Financial Services Company, Vice President (since August 2000);  
UAM Fund Services, Senior Vice President (since 1996).

LAURA F. HEALY\* (born 3/20/64) Assistant Treasurer  
Massachusetts Financial Services Company, Vice President (since December 1996);  
State Street Bank and Trust Company, Assistant Vice President (prior to December 1996).

ELLEN MOYNIHAN\* (born 11/13/57) Assistant Treasurer  
Massachusetts Financial Services Company, Vice President (since September 1996).

JAMES O. YOST\* (born 6/12/60) Treasurer  
Massachusetts Financial Services Company, Senior Vice President.

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\*"Interested person" (as defined in the 1940 Act) of MFS, the address of which is 500 Boylston Street, Boston, Massachusetts.

### BOARD AND COMMITTEE MEETINGS

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The Board of Trustees and the Committees held the following number of meetings during the Fund's fiscal year ended October 31, 2000:

NUMBER OF BOARD MEETINGS	NUMBER OF AUDIT COMMITTEE MEETINGS	NUMBER OF NOMINATING COMMITTEE MEETINGS
6	4	0

### TRUSTEE COMPENSATION TABLE

The table below shows the cash compensation paid to the current Trustees (other than Messrs. Cohan and Robb, who will be retiring) and the retirement benefits accrued as part of Fund expenses to those Trustees for the Fund's fiscal year ended October 31, 2000. As interested persons of MFS, Messrs. Scott and Shames do not receive any compensation or retirement plan benefits from the Fund for their services as Trustees.

TRUSTEE	TRUSTEE FEES FROM FUND (1)	RETIREMENT BENEFITS ACCRUED AS PART OF FUND EXPENSES	TOTAL TRUSTEE FEES FROM FUND AND FUND COMPLEX (2)
Lawrence H. Cohn, M.D.	\$15,546	\$6,011	\$143,874
Sir J. David Gibbons, KBE	\$16,575	\$8,474	\$135,084
Abby M. O'Neill	\$16,075	\$6,779	\$128,034
J. Dale Sherratt	\$17,705	\$6,807	\$153,526
Ward Smith	\$20,634	\$7,646	\$160,351

- 
- (1) During the fiscal year ended October 31, 2000, Dr. Cohn deferred \$1,215 of compensation pursuant to the deferred compensation plan.
- (2) For calendar year 2000. All Trustees receiving compensation from the Fund served as Trustee of 42 funds within the MFS Family of Funds having aggregate net assets at December 31, 2000 of approximately \$33.9 billion.

The Fund currently has a retirement plan for non-interested Trustees and Trustees who are not officers of the trust. Under this plan, Trustees must retire upon reaching a specified age and thereafter are entitled to annual payments during their lifetime of up to 50% of their average annual compensation (based on the three years prior to retirement) depending on length of service. Trustees must have served as Trustees for at least five years to be entitled to these payments. A Trustee may retire prior to the specified retirement age and receive reduced payments if he or she has completed at least 5 years of service. Under the plan, a Trustee (or his or her beneficiaries) will also receive benefits for a period of time in the event the Trustee is disabled or dies. These benefits will also be based on the Trustee's average annual compensation and length of service. The Fund will accrue its allocable portion of compensation expenses under the retirement plan each year to cover the current year's service and amortize past service cost.

The Trustees will terminate the Fund's retirement plan effective December 31, 2001 with respect to those Trustees listed in the table above, subject to shareholder approval of Item 1 relating to the consolidation of the Board of Trustees. The Trustees are considering whether adjustments should be made to the fees they receive from the Fund in consideration for the loss of future

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benefit accruals under the retirement plans. Upon termination of the plan, an amount equivalent to the present value of each applicable Trustee's accrued benefits thereunder through the date of termination would be calculated. The Trustees would defer receipt of these accrued benefits under a new deferred compensation plan, under which the value of the benefits would be periodically adjusted as though an equivalent amount had been invested in shares of the Fund. The deferred compensation would be paid to the Trustees upon retirement or thereafter.

The Trustees also have adopted a deferred compensation plan for disinterested Trustees of the Fund that enables these Trustees to elect to defer all or a portion of the annual fees they are entitled to receive from the Fund until a payment date elected by the Trustee (or the Trustee's termination of services). Under the plan, the compensation deferred by Trustees is periodically adjusted as though an equivalent amount had been invested in shares of one or more funds in the MFS Family of Funds designated by the Trustee. The amount paid to the Trustee on the payment date will be determined based on the performance of the selected funds. To the extent permitted by the 1940 Act, the Fund may invest in shares of these other selected MFS Funds in order to match the deferred compensation obligation. Deferral of fees in accordance with the plan will not materially affect the Fund's assets, liabilities or net income per share. The plan does not obligate the Fund to retain the services of any Trustee or pay any particular level of compensation to any Trustee. The plan is not funded and the Fund's obligation to pay the Trustees' deferred compensation is a general unsecured obligation.

### INTERESTS OF CERTAIN PERSONS

As of August 14, 2001, the following Trustees, Trustee nominees and officers owned the number of shares of the Fund noted in the table below:

NAME OF TRUSTEE OR OFFICER	NUMBER OF SHARES OWNED	PERCENT OF FUND
Lawrence T. Perera	250.000	0.000123%
Arnold D. Scott	395.913	0.000195%
J. Dale Sherratt	14,585.000	0.007197%
TOTAL HOLDINGS OF TRUSTEES AND OFFICERS AS A GROUP	15,230.913	0.007515%

As of August 14, 2001, to the best knowledge of the Fund, the following shareholders beneficially owned 5% or more of the outstanding shares of the Fund:

NAME AND ADDRESS OF SHAREHOLDER	NUMBER OF OUTSTANDING SHARES OWNED	PERCENTAGE OF OUTSTANDING SHARES OWNED
Morgan Stanley DW Inc. Issuer Services c/o ADP Proxy Services 51 Mercedes Way Edgewood, NY 11717	22,370,934	11.04%

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Salomon Smith Barney Inc. Pat Haller 333 W. 34th Street New York, NY 10001	34,411,291	16.98%
MFS Intermediate Income Trust 500 Boylston Street Boston, MA 02116-3740	75,467,700	37.24%

### MANNER OF VOTING PROXIES

All proxies received by management will be voted on all matters presented at the Meeting, and if not limited to the contrary, will be voted "for" the matters listed in the accompanying Notice of Annual Meeting of Shareholders and "for" any other matters deemed appropriate. The presence in person or by proxy of the holders of a majority of the outstanding shares of the Fund entitled to vote is required to constitute a quorum at the Meeting for purposes of voting on Items 1 through 6.

For the purposes of determining the presence of a quorum, abstentions and broker "non-votes" (that is, proxies from brokers or nominees indicating that such persons have not received instructions from the beneficial owner or other person entitled to vote shares on a particular matter with respect to which brokers or nominees do not have discretionary power) will be treated as shares that are present but which have not been voted. Abstentions and broker "non-votes" will not constitute a vote "for" or "against" a matter and will be disregarded in determining the "votes cast" on an issue. Abstentions and broker "non-votes" will have the same effect as a vote "against" Items 2, 3, 4 and 5 and will have no effect on Items 1 or 6.

The Fund has engaged the services of Georgeson Shareholder Communications Inc. to assist in the solicitation of proxies for the Fund. The costs of the proxy solicitation are estimated to be \$103,145.25 and will be borne by the Fund. The Fund will reimburse the record holders of its shares for their expenses incurred in sending proxy material to and obtaining voting instructions from beneficial owners.

The Fund knows of no other matters to be brought before the Meeting. If, however, because of any unexpected occurrence, any other matters properly come before the Meeting, it is the Fund's intention that proxies not limited to the contrary will be voted in accordance with the judgment of the persons named in the enclosed form of proxy.

### SUBMISSION OF PROPOSALS

Proposals of shareholders which are intended to be presented at the 2002 Annual Meeting of Shareholders must be received by the Fund on or prior to March 6, 2002.

### SECTION 16(a) -- BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires trustees, directors and certain directors and certain officers of the Fund and MFS, and persons who own more than 10% of the Fund's shares, to file reports of ownership and changes in ownership with the SEC and the New York Stock Exchange. Such persons are required by SEC regulation to furnish the Fund with copies of all Section 16(a) forms they file.

Based solely on review of the copies of Forms 3, 4, and 5 and amendments thereto furnished to the Fund with respect to its most recent fiscal year, or

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written representations that no Forms 5 were required, the Fund believes that, during the fiscal year ended October 31, 2000, all Section 16(a) filing requirements applicable to Trustees, directors and certain officers of the Fund and MFS and greater than ten percent beneficial owners were complied with.

### ADDITIONAL INFORMATION

In the event that sufficient votes in favor of the proposals set forth in the Notice of Annual Meeting are not received by October 31, 2001, the persons named as appointed proxies on the enclosed proxy card may propose one or more adjournments of the Meeting to permit further solicitation of proxies. Any such adjournment will require the affirmative vote of the holders of a majority of the shares present in person or by proxy at the session of the Meeting to be adjourned. The persons named as appointed proxies on the enclosed proxy card will vote in favor of any such adjournment those proxies required to be voted in favor of the proposal for which further solicitation of proxies is made. They will vote against any such adjournment those proxies required to be voted against such proposal. The Meeting may be adjourned as to one or more Items. The costs of any additional solicitation and of any adjournment session will be borne by the Fund.

IT IS IMPORTANT THAT PROXIES BE RETURNED PROMPTLY.

September 13, 2001

APPENDIX A

### AUDIT COMMITTEE CHARTER

This Audit Committee Charter (Charter) has been adopted by the Board of Trustees (the Board) of funds listed on Exhibit 1 hereto (each a Fund). The Audit Committee of the Board (the Committee) shall review and reassess this charter annually and recommend any proposed changes to the Board for approval.

The Committee assists the Board in fulfilling its responsibility for oversight of the quality and integrity of the accounting, auditing, internal control and financial reporting practices of the Fund. It may also have such other duties as may from time to time be assigned to it by the Board. The membership of the Committee shall consist of at least three Trustees, who are each free of any relationship that, in the opinion of the Board, may interfere with such member's individual exercise of independent judgment. Each Committee member shall be a non-"interested" Trustee, as such term is defined in Section 2(a)(19) of the Investment Company Act of 1940, and also meet the independence and financial literacy requirements for serving on audit committees, and at least one member shall have accounting or related financial management expertise, all as set forth in the applicable rules of the New York Stock Exchange. In discharging its oversight role, the Committee shall have the power to conduct or authorize investigations into any matters within its scope of responsibilities and shall be empowered to retain, at the expense of the Fund, independent counsel, accountants, or others to assist it in the conduct of any investigation. Costs incurred by the Committee in performing its function under this charter shall be borne by the Fund.

Although the Committee may wish to consider other duties from time to time, the general recurring activities of the Committee in carrying out its oversight role are described below. The Committee shall be responsible for:

- o Recommending to the Board the independent auditors to be retained (or

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nominated for shareholder approval) to audit the financial statements of the Fund. Such auditors are ultimately accountable to the Board and the Committee, as representatives of the shareholders.

- o Evaluating the performance of the independent auditors and, where appropriate, recommending to the Board the replacement of such auditors.
- o Obtaining annually from the independent auditors a formal written statement required by Independence Standards Board (ISB) Standard No. 1, as may be modified or supplemented, and discussing with the auditors their independence, including information furnished by the auditors detailing all significant relationships (including non-audit and/or consulting relationships) the auditors have with the Fund and its investment adviser and affiliates of such investment adviser and shall consider the compatibility of nonaudit services with the auditor's independence. The Committee will recommend that the Board of Trustees take appropriate action on any disclosed relationships that may reasonably be thought to bear on the independence of the auditors as required by the Securities Acts administered by the Securities and Exchange Commission.

The Committee's job is one of oversight. Management is responsible for the preparation of the Fund's financial statements and the independent auditors are responsible for auditing those financial statements. The Committee and the Board recognize that management and the independent auditors have more resources and time, and more detailed knowledge and information regarding the Fund's accounting, auditing, internal control and financial reporting practices than the Committee does; accordingly the Committee's oversight role does not provide any expert or special assurance as to the financial statements and other financial information provided by the Fund to its shareholders and others or any professional certification as to the independent auditors' work.

EXHIBIT 1

MFS Charter Income Trust  
MFS Intermediate Income Trust  
MFS Government Markets Income Trust  
MFS Multimarket Income Trust  
MFS Municipal Income Trust  
MFS Special Value Trust

APPENDIX B

NOTE: THIS APPENDIX CONTAINS A COMPARISON OF THE EXISTING DECLARATION OF THE FUND AND THE STANDARDIZED RESTATED DECLARATION PROPOSED TO BE USED FOR CLOSED-END FUNDS IN THE MFS FAMILY OF FUNDS. THE DECLARATION HAS BEEN MARKED TO SHOW THE CHANGES THAT WILL BE MADE IF THE RESTATED DECLARATION PROPOSED IN ITEM 2 IS APPROVED AND ADOPTED. DELETED TEXT IS MARKED THROUGH AND ADDED TEXT APPEARS IN ITALICS. FOR EDGAR DELETED TEXT IS SET IN BRACKETS AND ADDED TEXT IS SET IN DOUBLE BRACKETS THE COVER PAGE AND TABLE OF CONTENTS FOR BOTH THE EXISTING DECLARATION AND THE RESTATED DECLARATION HAVE BEEN OMITTED.

AMENDED AND RESTATED

DECLARATION OF TRUST



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OF

MFS INTERMEDIATE INCOME TRUST

DATED [JANUARY 27, 1988] [[AS OF JANUARY 1, 2002]]

[DECLARATION OF TRUST MADE JANUARY 27, 1988 BY THE TRUSTEES ]

[[WHEREAS, MFS Intermediate Income Trust was established pursuant to a Declaration of Trust dated January 27, 1988, as amended (the "Original Declaration"), for the investment and reinvestment of funds contributed thereto;

[[WHEREAS, the Trustees desire that the beneficial interest in the Trust assets continue to be divided into transferable Shares of Beneficial Interest (without par value), as hereinafter provided;]]

[[WHEREAS, the Trustees wish to amend and restate the Original Declaration in its entirety, and hereby certify that this Amended and Restated Declaration of Trust has been amended and restated in accordance with the provisions of the Original Declaration;]]

[[NOW THEREFORE, the Trustees hereby confirm that all money and property contributed to the Trust hereunder shall be held and managed in trust for the benefit of holders, from time to time, of the Shares of Beneficial Interest (without par value) issued hereunder and subject to the provisions hereof, and that the Original Declaration, including all appendices, is amended and restated in its entirety as follows.]]

ARTICLE I  
NAME AND DEFINITIONS

Section 1.1. Name. The name of the [trust created hereby is the "MFS"][[Trust is MFS]] Intermediate Income [Trust"] [[Trust.]]

Section 1.2. Definitions. Wherever they are used herein, the following terms have the following respective meanings:

(a) "By-Laws" means the By-[Laws] [[laws]] referred to in [section] [[Section]] 3.9 hereof, as from time to time amended.

(b) [the terms "Commission", "Interested Person", and "Majority Shareholder Vote" (the 67% or 50% requirement of the third sentence of Section 2(a)(42) of the 1940 Act, whichever may be applicable) have the meanings given them] [{"Commission"} has the meaning given that term]] in the 1940 Act.

(c) "Declaration" means this [[Amended and Restated]] Declaration of Trust[[,]] as amended from time to time. Reference in this Declaration of Trust to "Declaration," [{"hereof,"}] "herein" and "hereunder" shall be deemed to refer to this Declaration rather than the article or section in which such words appear.

(d) "Distributor" means [the] [[a]] party[, other than] [[furnishing services to]] the Trust[, ] [[pursuant]] to [the] [[any]] contract[, ] described in Section 4.2 hereof.

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(e) ["Investment Adviser"] ["Interested Person" has the meaning given that term in the 1940 Act.]

[(f)] "Investment Adviser" means a party furnishing services to the Trust pursuant to any contract described in Section 4.1 hereof.

[(g)] ["Majority Shareholder Vote" has the same meaning as the phrase "vote of a majority of the outstanding voting securities" as defined in the 1940 Act.]

[(h)] ["1940 Act"] (f) The "1940 Act" means the Investment Company Act of 1940 and the Rules and Regulations thereunder, as amended from time to time, and as such Act or the Rules and Regulations thereunder may apply to the Trust pursuant to any exemptive order or similar relief or interpretation issued by the Commission under such Act.]

[(g)] [(i)] "Person" means and includes individuals, corporations, limited liability companies, partnerships, trusts, associations, joint ventures and other entities, whether or not legal entities, and governments and agencies and political subdivisions thereof, whether domestic or foreign.

[(h)] [(j)] "Shareholder" means a record owner of outstanding Shares.

[(i)] [(k)] "Shares" means the Shares of Beneficial Interest into which the beneficial interest in the Trust shall be divided from time to time [and]. The term "Shares" includes fractions of Shares as well as whole Shares.

[(j)] [(l)] "Transfer Agent" means [the] [a] party, other than [furnishing services to] the Trust, to the [pursuant to any transfer agency] contract described in Section [4.3] [4.4] hereof.

[(k)] [(m)] "Trust" means the [entity specified in Section 1.1 above.] [trust hereunder.]

[(l)] [(n)] "Trust Property" means any and all property, real or personal, tangible or intangible, which is owned or held by or for the account of the Trust or the Trustees.

[(m)] [(o)] "Trustees" means the persons who have signed the Declaration, so long as they shall continue in office in accordance with the terms hereof, and all other persons who may from time to time be duly elected [or appointed], qualified and serving as Trustees in accordance with the provisions hereof, and reference herein to a Trustee or the Trustees shall refer to such person or persons in their capacity as trustees hereunder.

[(p)] ["Trustees Emeritus" means any former Trustees who, from time to time, are appointed by the Trustees to serve as trustees emeritus of the Trust in accordance with the guidelines and conditions for such service adopted by the Trustees from time to time, for so long as they serve in that capacity. Trustees Emeritus, in their capacity as such, are not Trustees of the Trust for any purpose, and shall not have any powers or obligations of Trustees hereunder.]

### ARTICLE II TRUSTEES

Section 2.1. Number of Trustees. The number of Trustees shall be such number as shall be fixed from time to time by a [written instrument signed by a] majority of the Trustees, provided, however, that the number of Trustees shall in no event be less than three (3) nor more than fifteen (15). No reduction in the number of Trustees shall have the effect of removing any

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Trustee from office prior to the expiration of his [[or her]] term unless the Trustee is specifically removed pursuant to Section 2.2 [of this Article II] [[hereof]] at the time of the decrease.

Section 2.2. Term of Office of Trustees. The Board of Trustees shall be divided into three classes. Within the limits above specified, the number of Trustees in each class shall be determined by resolution of the Board of Trustees. The term of office of the [all of ]the [Trustees] [[first class]] shall expire on the date of [[the]] first annual meeting of [shareholders] [[Shareholders]] or special meeting in lieu thereof following [the effective date of the Registration Statement relating to the Shares under the Securities Act of 1933, as amended][[ January 1, 2002]]. The term of office of the [first] [[second]] class shall expire on the date of the second annual meeting of [shareholders] [[Shareholders]] or special meeting in lieu thereof. The term of office of the [second] [[third ]]class shall expire on the date of the third [annual meeting of shareholders or special meeting in lieu thereof. The term of office of the third class shall expire on the date of the fourth] annual meeting of [shareholders] [[Shareholders]] or special meeting in lieu thereof. Upon expiration of the term of office of each class as set forth above, the number of Trustees in such class, as determined by the Board of Trustees, shall be elected for a term expiring on the date of the third annual meeting of [shareholders] [[Shareholders]] or special meeting in lieu thereof following such expiration to succeed the Trustees whose terms of office expire. The Trustees shall be elected at an annual meeting of the [shareholders] [[Shareholders]] or special meeting in lieu thereof called for that purpose, except as provided in Section 2.3 [of this Article and each] [[hereof.]]

[[Each]] Trustee [elected] shall hold office until [his][[the earlier of his or her death or the election and qualification of his or her]] successor [shall have been elected and shall have qualified]; except [(a)] that[:]]

[[a)] any Trustee may resign his [[or her]] trust (without need for prior or subsequent accounting) by an instrument in writing signed by [him] [[that Trustee]] and delivered to the [other Trustees] [[Trust]], which shall take effect upon such delivery or upon such later date as is specified therein;

(b) [that] any Trustee may be removed [(provided the aggregate number of Trustees after such removal shall not be less than the number required by Section 2.1 hereof) with cause,] at any time[[, with or without cause,]] by written instrument[, ] signed by at least [two-thirds] [[three-quarters]] of the Trustees, specifying the date when such removal shall become effective;

(c) [that] any Trustee who [requests in writing to be retired or who has become incapacitated by illness or injury may be retired by] [[has attained a mandatory retirement age established pursuant to any]] written [instrument signed by a majority of the other Trustees, specifying the date of his retirement; and (d) a Trustee may be removed at any meeting of Shareholders by a vote of] [[policy adopted from time to time by at least]] two-thirds of the [[Trustees shall, automatically and without action of such Trustee or the remaining Trustees, be deemed to have retired in accordance with the terms of such policy, effective as of the date determined in accordance with such policy; and]]

[[d)] [[a Trustee may be removed at any meeting of Shareholders by a vote of Shares representing two-thirds of the]] outstanding Shares [[of the Trust entitled to vote for the election of such Trustee]].

Upon the resignation[[, retirement]] or removal of a Trustee, or his [[or her]] otherwise ceasing to be a Trustee, [he] [[that individual]] shall execute and deliver such documents as the remaining Trustees shall require for

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the purpose of conveying to the Trust or the remaining Trustees any Trust [property] [[Property]] held in the name of the resigning[[, retiring]] or removed Trustee. Upon the incapacity or death of any Trustee, [his] [[that Trustee's]] legal representative shall execute and deliver on his [[or her]] behalf such documents as the remaining Trustees shall require as provided in the preceding sentence.

[[Except to the extent expressly provided in a written agreement to which the Trust is a party or in a written policy adopted by the Trustees, no resigning or removed Trustee shall have any right to any compensation for any period following his or her resignation or removal, or any right to damages on account of such removal.]]

Section 2.3. Resignation and Appointment of Trustees. In case of the declination, death, resignation, retirement[, ] [[or]] removal [or inability] of any of the Trustees, or in case a vacancy shall, by reason of an increase in number [[of Trustees]], or for any other reason, exist, [[a majority of]] the remaining Trustees [shall] [[may]] fill such vacancy by appointing such other [person] [[individual]] as they in their discretion shall see fit. [Such appointment shall be evidenced by a written instrument signed by a majority of the Trustees in office.] Any such appointment shall not become effective, however, until the person [named in the written instrument or appointment] [[appointed]] shall have accepted in writing such appointment and agreed in writing to be bound by the terms of the Declaration. [Within twelve months of such appointment, the Trustees shall cause notice of such appointment to be mailed to each Shareholder at his address as recorded on the books of the Trustees.] An appointment of a Trustee may be made by the Trustees then in office [and notice thereof mailed to Shareholders as aforesaid] in anticipation of a vacancy to occur by reason of retirement, resignation[[, removal]] or increase in number of Trustees effective at a later date, provided that said appointment shall become effective only at or after the effective date of said retirement, resignation[[, removal]] or increase in number of Trustees. The power of appointment is subject to [the] [[all applicable]] provisions [of Section 16(a)] of the 1940 Act.

Section 2.4. Vacancies. The death, declination, resignation, retirement, removal or incapacity of the Trustees, or any [one] of them, shall not operate to annul the Trust or to revoke any existing agency created pursuant to the terms of [this] [[the]] Declaration. Whenever a vacancy in the number of Trustees shall occur, until such vacancy is filled as provided in Section 2.3, [the] [[or while any Trustee is incapacitated, the other]] Trustees in office, regardless of their number, shall have all the powers granted to the Trustees and shall discharge all the duties imposed upon the Trustees by the Declaration[[, and only such other Trustees shall be counted for the purposes of the existence of a quorum or the taking of any action to be taken by the Trustees]]. A written instrument certifying the existence of such vacancy [[or incapacity]] signed by a majority of the Trustees shall be conclusive evidence of the existence [of such vacancy] [[thereof]].

Section 2.5. Delegation of Power to Other Trustees. [Any] [[Subject to requirements imposed by the 1940 Act and other applicable law, any]] Trustee may, by power of attorney, delegate his power for a period not exceeding six [ (6) ] months at any one time to any other Trustee or Trustees; provided that in no case shall [less] [[fewer]] than two [(2)] Trustees personally exercise the powers granted to the Trustees under the Declaration except as [herein] otherwise expressly provided [[herein]].

### ARTICLE III [POWERS OF TRUSTEES] POWERS OF TRUSTEES

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Section 3.1. General. [The][[Subject to the provisions of the Declaration, the ]]Trustees shall have exclusive and absolute control over the Trust Property and over the business of the Trust to the same extent as if the Trustees were the sole owners of the Trust Property and business in their own right, but with such powers of delegation as may be permitted by the Declaration. The Trustees shall have power to conduct the business of the Trust and carry on its operations in any and all of its branches and maintain offices both within and without [the] [[The]] Commonwealth of Massachusetts, in any and all states of the United States of America, in the District of Columbia, and in any and all commonwealths, territories, dependencies, colonies, possessions, agencies or instrumentalities of the United States of America and of foreign governments[[,] and to do all such other things and execute all such instruments as the Trustees deem necessary, proper or desirable in order to promote the interests of the Trust although such things are not herein specifically mentioned. Any determination as to what is in the interests of the Trust made by the Trustees in good faith shall be conclusive. In construing the provisions of the Declaration, the presumption shall be in favor of a grant of power to the Trustees.

The enumeration of any specific power herein shall not be construed as limiting the aforesaid power [[or any other power of the Trustees hereunder]]. Such powers of the Trustees may be exercised without order of or resort to any court.

Section 3.2. Investments. (a) The Trustees shall have the power [to]:

(i) [[to]] conduct, operate and carry on the business of an investment company;

(ii) [[to]] subscribe for, invest in, reinvest in, purchase or otherwise acquire, own, hold, pledge, sell, assign, transfer, exchange, distribute, lend or otherwise deal in or dispose of [United States] [[securities of every nature and kind, U.S.]] and foreign currencies, any form of gold [and] [[or]] other precious [metals] [[metal]], commodity contracts, [options] [[any form of option contract]], contracts for the future acquisition or delivery of [[fixed income or other]] securities [and securities][[, derivative instruments]] of every [nature and kind,][[kind, "when-issued" or standby contracts, and all types of obligations or financial instruments,]] including, without limitation, all types of bonds, debentures, stocks, negotiable or non-negotiable instruments, obligations, [evidence] [[evidences]] of indebtedness, certificates of deposit or indebtedness, commercial paper, repurchase agreements, [bankers'][[bankers']] acceptances, and other securities of any kind, issued, created, guaranteed or sponsored by any and all Persons, including, without limitation,

[[A]] states, territories and possessions of the United States and the District of Columbia and any [of the] political [subdivisions, agencies or instrumentalities thereof, and by the United States] [[subdivision, agency or instrumentality of any such Person,]]

[[B] the U.S.] Government, any foreign government, [[or any]] political [subdivisions thereof or their agencies or instrumentalities, or ][[subdivision or any agency or instrumentality of the U.S. Government or any foreign government,]]

[[C] any] international [instrumentalities, or by] [[instrumentality,]]

[[D]] any bank or savings institution, or [by]

[[E]] any corporation or organization organized under the laws of the United States or of any state, territory or possession thereof, or [by any

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corporation or organization organized] under any foreign law[, or in "when issued" contracts][[;]]

[for any such securities, or] [[to]] retain Trust assets in cash and from time to time [[to]] change the investments [of] [[in which]] the assets of the Trust [[are invested]]; and to exercise any and all rights, powers and privileges of ownership or interest in respect of any and all such investments of every kind and description, including, without limitation, the right to consent and otherwise act with respect thereto, with power to designate one or more [persons, firms, associations or corporations] [[Persons]] to exercise any of said rights, powers and privileges in respect of any of said [instruments.] [[investments; and]]

(iii) to carry on any other business in connection with or incidental to any of the foregoing powers, to do everything necessary, [suitable or] proper [[or desirable]] for the accomplishment of any purpose or the attainment of any object or the furtherance of any power hereinbefore set forth, and to do every other act or thing incidental or appurtenant to or connected with the aforesaid purposes, objects or powers.

(b) The Trustees shall not be limited to investing in [[securities or]] obligations maturing before the possible termination of the Trust, nor shall the Trustees be limited by any law limiting the investments which may be made by fiduciaries.

[[c) Notwithstanding any other provision of the Declaration to the contrary, the Trustees shall have the power in their discretion without any requirement of approval by Shareholders to either invest all or a portion of the Trust Property, or sell all or a portion of such Trust Property and invest the proceeds of such sales, in one or more other investment companies to the extent not prohibited by the 1940 Act.]]

Section 3.3. Legal Title. Legal title to all [the] Trust Property shall be vested in the Trustees as joint tenants except that the Trustees shall have power to cause legal title to any Trust Property to be held by or in the name of one or more of the Trustees, or in the name of the Trust, or in the name of any other Person [as] [[or]] nominee, on such terms as the Trustees may determine. The right, title and interest of the Trustees in the Trust Property shall vest automatically in each [Person] [[person]] who may hereafter become a Trustee. Upon the resignation, [[retirement,]] removal or death of a Trustee [he] [[, such Trustee]] shall automatically cease to have any right, title or interest in any of the Trust Property, and the right, title and interest of such Trustee in the Trust Property shall vest automatically in the remaining Trustees. Such vesting and cessation of title shall be effective whether or not conveyancing documents have been executed and delivered.

Section 3.4. Issuance and Repurchase of Securities. The Trustees shall have the power to issue, sell, repurchase, [[redeem,]] retire, cancel, acquire, hold, resell, reissue, dispose of, transfer, and otherwise deal in Shares and, subject to the provisions set forth in Articles VII and VIII hereof, to apply to any such [[repurchase, redemption,]] retirement, cancellation or acquisition of Shares any funds [or property] of the Trust [[or other Trust Property,]] whether capital or surplus or otherwise[, to the full extent now or hereafter permitted by the laws of the Commonwealth of Massachusetts governing business corporations].

Section 3.5. Borrowing Money; Lending Trust Property. The Trustees shall have power to borrow money or otherwise obtain credit and to secure the same by mortgaging, pledging or otherwise subjecting as security the [assets of the] Trust [[Property]], to endorse, guarantee, or undertake the performance of any obligation, contract or engagement of any other Person and to lend Trust [property] [[Property]].

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Section 3.6. Delegation[; Committees]. The Trustees shall have power to delegate from time to time to such of their number or to officers, employees [or agents][[, any Investment Adviser, Distributor, custodian, agent or independent contractor]] of the Trust the doing of such things and the execution of such instruments either in the name of the Trust or the names of the Trustees or otherwise as the Trustees may deem [[appropriate or]] expedient.

Section 3.7. Collection and Payment. The Trustees shall have power to collect all property due to the Trust; to pay all claims, including taxes, against the Trust Property; to prosecute, defend, compromise or abandon any claims relating to the Trust Property; to foreclose any security interest securing any obligations[[,]] by virtue of which any property is owed to the Trust; and to enter into releases, agreements and other instruments.

Section 3.8. Expenses. The Trustees shall have the power to incur and pay any expenses which in the opinion of the Trustees are necessary or incidental to carry out any of the purposes of the Declaration, and to pay reasonable compensation from the funds of the Trust to themselves as Trustees. The Trustees shall fix the compensation of all officers, employees[[, Trustees]] and Trustees [[Emeritus]].

Section 3.9. Manner of Acting; [Bylaws] [[By-Laws]]. Except as otherwise provided herein[[, in the 1940 Act]] or in the By-[laws] [[Laws]], any action to be taken by the Trustees may be taken by a majority of the Trustees present at a meeting of Trustees [()][[at which]] a quorum [being present)] [[is present]], including any meeting held by means of a conference telephone circuit or similar communications equipment by means of which all persons participating in the meeting can hear each other, or by written consents of [all] [[two-thirds of]] the Trustees. The Trustees [my] [[may]] adopt By-[laws] [[Laws]] not inconsistent with [this] [[the]] Declaration to provide for the conduct of the business of the Trust and [my] [[may]] amend or repeal such By-[laws] [[Laws]] to the extent [such power is not reserved to the Shareholders] [[permitted therein at any time]].

Section 3.10. Miscellaneous Powers. [The] [[Without limiting the foregoing, the]] Trustees shall have the power to:

(a) employ or contract with such Persons as the Trustees may deem desirable for the transaction of the business of the Trust;

(b) enter into joint ventures, partnerships and [[any]] other combinations or associations;

(c) [remove Trustees or fill vacancies in or add to their number,] elect and remove such officers and appoint and terminate such agents or employees as they consider appropriate, [[in each case with or without cause,]] and appoint [from their own number,] and terminate[, ] any one or more committees which may exercise some or all of the power and authority of the Trustees as the Trustees may determine;

(d) purchase, and pay for out of Trust Property, [[such insurance as they may deem necessary or appropriate for the conduct of the business of the Trust, including, without limitation,]] insurance policies insuring the [[assets of the Trust and payment of distributions and principal on its portfolio investments, and insurance policies insuring]] Shareholders, [[any administrator,]] Trustees, [Officers] [[Trustees Emeritus, officers]], employees, agents, [investment advisers, distributors] [[any Investment Adviser, any Distributor]], selected dealers or independent contractors of the Trust against all claims arising by reason of holding any such position or by reason of any action taken or omitted by any such Person in such capacity[[,]]

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whether or not constituting negligence, or whether or not the Trust would have the power to indemnify such Person against such liability;

(e) establish pension, profit[[-]]sharing, [share] [[Share]] purchase[[, deferred compensation,]] and other retirement, incentive and benefit plans for any Trustees, officers, employees [and] [[or]] agents of the Trust;

(f) to the extent permitted by law, indemnify any person with whom the Trust has dealings, including [the] [[any]] Investment Adviser, [[administrator, custodian,]] Distributor, Transfer Agent [and selected dealers] [[, shareholder servicing agent and any dealer,]] to such extent as the Trustees shall determine;

(g) guarantee indebtedness or contractual obligations of others;

(h) determine and change the fiscal year of the Trust and the method by which its accounts shall be kept; and

(i) adopt a seal for the Trust [but] [[, provided, that]] the absence of such seal shall not impair the validity of any instrument executed on behalf of the Trust.

[Section 3.11. Principal Transactions. Except in transactions permitted by the 1940 Act, or any order of exemption issued by the Commission, the Trustees shall not, on behalf of the Trust, buy any securities (other than shares) from or sell any securities (other than Shares) to, or lend any assets of the Trust to, any Trustee or officer of the Trust or any firm of which any such Trustee or officer is a member of the Trust or any firm of which any such Trustee or officer is a member acting as principal, or have any such dealings with the Investment Adviser, Distributor or Transfer Agent or with any Interested Person of such Person; but the Trust may employ any such Person, or firm or company in which such Person is an Interested Person, as broker, legal counsel, registrar, transfer agent, dividend disbursing agent or custodia