PUTNAM MUNICIPAL OPPORTUNITIES TRUST
Form N-14 8C/A
September 12, 2007

As filed with the Securities and Exchange Commission on September 12, 2007

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

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

FORM N-14

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Pre-Effective Amendment No. 1

Post-Effective Amendment No. ____

PUTNAM MUNICIPAL OPPORTUNITIES TRUST

(Exact Name of Registrant as Specified in Charter)

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

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

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

With copies to:

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

Calculation of Registration Fee under the Securities Act of 1933:

Title of Securities Being Registered	Amount Being Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Shares of beneficial interest	30,767,339	$12.90(1)	$396,898,679	$12,184.78
Preferred Shares			$273,000,000	$8,381.10

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

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

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

Important information for shareholders of

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

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

We urge you to review the prospectus/proxy statement carefully, and to provide your voting instructions by using any of the methods shown on your proxy card. When shareholders don t return their proxies in sufficient numbers, we have to make follow-up solicitations, which can cost your fund money.

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

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PROXY CARD ENCLOSED

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

A Message from the Chairman

Dear Putnam Municipal Opportunities Trust Shareholder:

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

We are asking for your vote on the following:

1. Approval of the proposed merger of each of (a) Putnam Investment Grade Municipal Trust and (b) Putnam Municipal Bond Fund into Municipal Opportunities Trust. In each merger, the common shares of the fund being acquired would, in effect, be exchanged, on a tax-free basis, for new common shares of Municipal Opportunities Trust with an equal net asset value, and preferred shares of the fund being acquired would, in effect, be exchanged for new preferred shares of Municipal Opportunities Trust with an equal aggregate liquidation preference. (To be voted on by common and preferred shareholders.)

2. Approval of (a) the authorization of $273 million of additional preferred shares of Municipal Opportunities Trust to be issued in exchange for existing preferred shares of the funds being acquired as described in Proposal 1 above and (b) a two-for-one stock-split of the Series A preferred shares of Municipal Opportunities Trust and a corresponding reduction in liquidation preference from $50,000 per share to $25,000 per share, in order to facilitate the proposed mergers. (To be voted on by preferred shareholders only.)

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

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

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

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

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

Sincerely yours,

John A. Hill
Chairman of the Trustees

A Message from the Chairman

Dear Putnam Investment Grade Municipal Trust Shareholder:

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

We are asking for your vote on the following:

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

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

(b) merger of the converted Investment Grade Municipal Trust with and into Municipal Opportunities Trust.

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

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

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

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

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

John A. Hill
Chairman of the Trustees

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A Message from the Chairman

Dear Putnam Municipal Bond Fund Shareholder:

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

We are asking for your vote on the following:

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

(a) conversion of Municipal Bond Fund from a Massachusetts business trust into a Massachusetts limited liability company; and

(b) merger of the converted Municipal Bond Fund with and into Municipal Opportunities Trust.

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

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

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

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

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

Sincerely yours,

John A. Hill
Chairman of the Trustees

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

Notice of a Joint Special Meeting of Shareholders

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

To the Shareholders of Municipal Opportunities Trust:

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

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

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

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

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

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

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

To the Shareholders of Investment Grade Municipal Trust:

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

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

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

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

To the Shareholders of Municipal Bond Fund

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

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

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

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

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

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

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

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

September 13, 2007

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Prospectus/Proxy Statement
September 13, 2007

Mergers of each of:	With and into:
Putnam Investment Grade Municipal Trust	**Putnam Municipal Opportunities Trust**
(Investment Grade Municipal Trust)	**(Municipal Opportunities)**
One Post Office Square	One Post Office Square
Boston, Massachusetts 02109	Boston, Massachusetts 02109
(617) 292-1000	(617) 292-1000
and	
Putnam Municipal Bond Fund (Municipal Bond Fund)	
One Post Office Square	
Boston, Massachusetts 02109	
(617) 292-1000	

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

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

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

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

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

(i) the Merger SAI;

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

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

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

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

Shares of Municipal Opportunities Trust are no t deposits or obligations of, or guaranteed or endorsed by, any financial institution, are not insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other agency, and involve risk, including the possible loss of principal amount invested.

This document will give you the information you need to vote on the proposals. Much of the information contained in this Prospectus/Proxy statement is required by SEC rules; some of it is technical. If there is anything you don t understand, please contact us at our toll-free number, 1-800-780-7316, or call your financial representative. Like the Merging Funds, Municipal Opportunities Trust is in the family of funds managed by Putnam Investment Management, LLC (Putnam Management). Municipal Opportunities Trust and the Merging Funds are collectively referred to herein as the funds, and each is referred to individually as a fund.

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

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

I. PROPOSAL REGARDING APPROVAL OF MERGERS AND RELATED TRANSACTIONS

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

1. What is being proposed?

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

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

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

If you are a shareholder of Municipal Opportunities Trust, your common and preferred shares of Municipal Opportunities Trust will not be affected by the merger, but will represent interests in a larger fund pursuing the same investment goals, strategies and policies and subject to similar restrictions. The combined fund will have a leverage ratio similar to that of Municipal Opportunities Trust. It is anticipated, however, that based on Putnam Management s analysis of conditions in the tax-exempt securities market, including expectations regarding movements of short-, medium- and long-term interest rates, and of the use of leverage by comparable tax-exempt closed-end funds, Putnam Management will recommend that the Trustees of Municipal Opportunities Trust approve the involuntary redemption of a portion of Municipal Opportunities Trust s preferred shares following the consummation of the mergers to reduce the combined fund s leverage ratio. As of the date of this Prospectus/Proxy Statement, the Trustees have not approved the proposed redemption.

3. Why are the Trustees proposing the mergers?

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

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

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

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

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

Investment Goals and Strategies

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

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

Investment Policies and Restrictions

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

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

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

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

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

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

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

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

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

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

For the fiscal year ended November 30, 2006.

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

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

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

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

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

Examples

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

	1 Year	3 Years	5 Years	10 Years

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

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

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

CALENDAR YEAR TOTAL RETURNS

Municipal Opportunities Trust

Investment Grade Municipal Trust

Municipal Bond Fund

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

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

Average Annual Total Returns
(for periods ended 4/30/07)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

12.Will the number of shares I own change?

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

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

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

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

13.Will the market value of my investment change?

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

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

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

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

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

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

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

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

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

B. Risk Factors

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Non-diversification. Unlike each Merging Fund, Municipal Opportunities Trust is a non-diversified investment company under the 1940 Act. This means that Municipal Opportunities Trust may invest more of its assets in the securities of fewer issuers than a diversified fund. Under the Internal Revenue Code (the Code), the fund generally may not invest more than 25% of its assets in securities of any one issuer, other than U.S. government securities. Also with respect to 50% of its total assets, the fund may not invest more than 5% of its total assets in the securities of any one issuer, other than U.S. government securities. The fund is more likely to invest a higher percentage of its assets in the securities of a single issuer or of a limited number of issuers than a diversified investment company that invests in a broader range of securities. This practice involves an increased risk of loss to the fund if the issuers were to be unable to make interest or principal payments or if the market values of such securities were to decline.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

C.Information about the Proposed Mergers

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

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

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

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

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

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

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

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

Trustees Considerations Relating to the Proposed Mergers.

General

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

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

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

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

Investment flexibility of the combined fund

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

Relative performance of the funds

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

The substantially larger trading market of the combined fund

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

Liquidity of fund shares and sunroofing provisions

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

On a regular basis, the Trustees carefully monitor the trading prices of each fund s shares, recognizing that trading prices and discounts will fluctuate over time, and have considered a broad range of possible actions in an effort to reduce or eliminate discounts. In July 2007, eight Putnam closed-end funds, including your fund, concluded tender offers in which they purchased from shareholders 10% of their outstanding common shares for cash at a price per share equal to 98% of the net asset value per share. The Trustees purpose in authorizing the tender offers was to enhance liquidity for shareholders seeking to exit the funds at a price reflecting a smaller discount to net asset value than had recently been available in the market. In addition, your fund s Trustees have approved a share repurchase program that permits your fund to repurchase up to 10% of its outstanding common shares at market prices over the two-year period ending October 6, 2007. The Trustees believe that share repurchases can represent an attractive investment opportunity for your fund and be an important contributor to your fund s returns at net asset value. The Trustees further believe that other initiatives, such as communications with the marketplace regarding the benefits of investing in the funds, also serve to increase investor demand for the funds shares.

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

Operating expenses

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

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

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

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

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

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

Tax considerations

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

Transaction costs of the proposed mergers

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

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

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

Other factors

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

Merger documents.

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

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

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

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

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

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

The fees and expenses for the mergers are estimated to be approximately $508,797 (not including the trading costs associated with the liquidations described above) assuming consummation of both mergers. The fees and expenses assuming consummation of the merger of Investment Grade Municipal Trust with Municipal Opportunities Trust only are estimated to be $320,915 and the fees and expenses assuming consummation of the merger of Municipal Bond Fund with Municipal Opportunities Trust only are estimated to be $345,230. All fees and expenses, including legal and accounting expenses or other similar expenses incurred in connection with the consummation of the transactions contemplated by the Plan of Merger, will be allocated ratably between the three funds in proportion to their net assets, whether or not the mergers are consummated, except that the costs of proxy materials and proxy solicitations for each fund will be borne by that fund only and the costs of SEC filings will be borne by Municipal Opportunities Trust only. However, to the extent that any payment by a fund of such fees or expenses would result in its disqualification as a regulated investment company within the meaning of Section 851 of the Code, such fees and expenses will be paid directly by the party incurring them. In addition, if one party to the Plan of Merger is unwilling or unable to consummate the applicable merger in certain circumstances, that party shall be responsible for the other party s reasonable fees and expenses.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Preferred (000 s)	$121,000	$140,000	$133,000		$394,000
Shares Outstanding					
Common (000 s)	15,173	20,235	16,785	(2,820)	49,373
Preferred					
Series A	800	1,400	2,920	(600)	4,520**
Series B	1,620		2,400		4,020***
Series C	1,620			5,600	7,220***
Series I					
Net asset value per common share	$13.19	$10.98	$13.64		$13.18

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

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

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

Municipal Opportunities Trust and Investment Grade Municipal Trust only

	Municipal Opportunities Trust	Investment Grade Municipal Trust	*Pro forma* Adjustment	Municipal Opportunities Trust (*pro forma* combined with Investment Grade Municipal Trust only)*
Net assets				
Common (000 s)	$200,176	$222,122	($321)	$421,977
Preferred (000 s)	$121,000	$140,000		$261,000
Shares Outstanding				
Common (000 s)	15,173	20,235	(3,394)	32,014
Preferred				
Series A	800	1,400	(1,400)	800
Series B	1,620			1,620**
Series C	1,620		5,600	7,220**
Series I				
Net asset value per common share	$13.19	$10.98		$13.18

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

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

Municipal Opportunities Trust and Municipal Bond Fund only

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

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

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

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

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

**THE TRUSTEES, INCLUDING THE INDEPEN-
DENT TRUSTEES, UNANIMOUSLY RECOMMEND
APPROVAL OF THE PROPOSED MERGERS.**

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

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

1. What is being proposed?

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

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

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

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

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

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

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

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

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same aggregate liquidation preference and dividend period as the shares they currently own. Only Municipal Opportunities Trust s Series A Shares have the same dividend period (*i.e.*, 28 days) as Municipal Bond Fund s Series A preferred shares. The per-share liquidation preference of Municipal Opportunities Trust s Series A Shares, however, is double the per-share liquidation preference of Municipal Bond Fund s Series A preferred shares. As a result, in order for holders of an odd number of Municipal Bond Fund Series A preferred shares to receive only whole numbers of Series A Shares of Municipal Opportunities Trust in connection with the merger, the liquidation preference of the Series A Shares will have to be reduced by half. In addition, the Remarketing Agent has indicated that a stock-split reducing the liquidation preference of the Series A Shares of Municipal Opportunities Trust may result in an increase in the marketability of those shares.

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

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

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

**THE TRUSTEES, INCLUDING THE INDEPEN-
DENT TRUSTEES, UNANIMOUSLY RECOM-
MEND APPROVAL OF THE PROPOSALS
REGARDING PREFERRED SHARES OF
MUNICIPAL OPPORTUNITIES TRUST.**

III. INFORMATION ABOUT THE FUNDS

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

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

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

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

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

As long as any preferred shares are outstanding, Municipal Opportunities Trust will not declare, pay, or set apart for payment any dividend or other distribution in respect of the common shares, or call for redemption, redeem, purchase, or otherwise acquire for consideration any common shares, unless (i) immediately thereafter, the asset coverage requirements imposed by the 1940 Act and any rating agency are met, (ii) full cumulative dividends on all preferred shares for all past dividend periods have been paid or declared and a sum sufficient for the payment of such dividends set apart for payment, and (iii) Municipal Opportunities Trust has redeemed the full number of preferred shares required to be redeemed pursuant to any provision of the fund s Bylaws requiring such mandatory redemption.

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

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

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

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

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

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

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

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

PUTNAM MUNICIPAL OPPORTUNITIES TRUST

Financial Highlights

(For a share outstanding throughout the period)

Per-share operating performance

	Year ended April 30							
	2007	2006	2005	2004	2003	2002	2001	20
Net asset value, beginning of period (common shares)	$12.85	$13.15	$12.72	$12.98	$13.00	$13.00	$12.51	$14.
Investment operations: Net investment income (a)	.89	.86	.91	1.00	1.09	1.16	1.15	1.
Net realized and unrealized gain (loss) on investments	.23	(.30)	.51	(.24)	(.10)	(.10)	.56	(1.5
Total from investment operations	1.12	(.56)	1.42	.76	.99	1.06	1.71	(.4
Distributions to preferred shareholders: From net investment income	(.28)	(.21)	(.12)	(.07)	(.10)	(.15)	(.31)	(.2
Total from investment operations (applicable to common shareholders)	.84	.35	1.30	.69	.89	.91	1.40	(.6
Distributions to common shareholders: From net investment income	(.57)	(.68)	(.87)	(.95)	(.91)	(.91)	(.91)	(.9
Total distributions	(.57)	(.68)	(.87)	(.95)	(.91)	(.91)	(.91)	(.9
Preferred shares offering costs								
Increase from shares repurchased	.07	.03						
Net asset value, end of period (common shares)	$13.19	$12.85	$13.15	$12.72	$12.98	$13.00	$13.00	$12.
Market value, end of period (common shares)	$12.20	$11.68	$11.72	$12.47	$12.48	$12.50	$13.59	$11.6
Total return at market price (%) (common shares) (b)	9.64	5.61	.82	7.49	7.35	(1.57)	25.32	(15.2
Ratios and supplemental data:								
Net assets, end of period (common shares) (in thousands)	$200,176	$203,548	$212,505	$205,571	$209,697	$210,081	$210,097	$202,0

Ratio of expenses to average net assets (%) (c,d)	1.28	1.37	1.40	1.37	1.41	1.43	1.44	1.
Ratio of net investment income to average net assets (%) (d)	4.61	4.92	6.15	7.05	7.65	7.63	6.50	6.
Portfolio turnover (%)	12.60	10.74	29.51	19.19	12.30	20.84	14.59	13.

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

(b) Total return assumes dividend reinvestment.

(c) Includes amounts paid through expense offset arrangements.

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

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

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PUTNAM INVESTMENT GRADE MUNICIPAL TRUST

Financial Highlights
(For a share outstanding throughout the period)
Per-share operating performance

	Year ended November 30							
	2006	2005	2004	2003	2002	2001	2000	1
Net asset value, beginning of period (common shares)	$10.81	$10.73	$10.71	$10.41	$10.96	$10.88	$10.71	$1
Investment operations:								
Net investment income (a)	.73	.70	.76	.84	.95	1.01	1.03	
Net realized and unrealized gain (loss) on investments	.27	.07	.06	.36	(.60)	(.02)	.26	(1
Total from investment operations	1.00	.77	.82	1.20	.35	.99	1.29	(
Distributions to preferred shareholders:								
From net investment income	(.23)	(.15)	(.08)	(.07)	(.10)	(.20)	(.28)	(
Total from investment operations (applicable to common shareholders)	.77	.62	.74	1.13	.25	.79	1.01	(

Distributions to common shareholders:								
From net investment income	(.49)	(.55)	(.72)	(.83)	(.80)	(.71)	(.84)	(
Total distributions	(.49)	(.55)	(.72)	(.83)	(.80)	(.71)	(.84)	(
Increase from shares repurchased	.06	.01						
Net asset value, end of period (common shares)	$11.15	$10.81	$10.73	$10.71	$10.41	$10.96	$10.88	$10
Market value, end of period (common shares)	$9.96	$9.34	$9.67	$10.74	$10.75	$10.67	$9.81	$1
Total return at market price (%) (common shares) (b)	12.20	2.26	(3.46)	8.07	8.58	15.96	(11.14)	(13
Ratios and supplemental data:								
Net assets, end of period (common shares) (in thousands)	$225,924	$230,435	$229,938	$229,140	$221,432	$231,983	$229,854	$225,
Ratio of expenses to average net assets (%) (c,d)	1.29	1.40	1.39	1.42	1.46	1.49	1.47	1
Ratio of net investment income to average net assets (%) (d)	4.61	5.00	6.34	7.26	7.99	7.19	7.10	7
Portfolio turnover (%)	11.53	24.16	29.59	32.72	19.25	23.05	24.90	14

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

(b) Total return assumes dividend reinvestment.

(c) Includes amounts paid through expense offset arrangements.

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

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PUTNAM MUNICIPAL BOND FUND

Financial Highlights

(For a share outstanding throughout the period)

Per-share operating performance

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

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

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

(b) Total return assumes dividend reinvestment.

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

(d) Includes amounts paid through expense offset arrangements.

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

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

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

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SENIOR SECURITIES TABLES

Municipal Opportunities Trust

	Year ended April 30							
	2007	2006	2005	2004	2003	2002	2001	2
Preferred shares outstanding, end of period (in thousands)	$121,000	$121,000	$121,000	$121,000	$121,000	$121,000	$121,000	$1
Asset Coverage ratio per Preferred Share	265%	268%	275%	270%	273%	274%	273%	
Liquidation Preference per Preferred Share Series A	$50,156	$50,135	$50,096	$50,035	$50,036	$50,046	$50,115	$
Series B	$25,018	$25,015	$25,009	$25,003	$25,002	$25,001	$25,016	$

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

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

Investment Grade Municipal Trust

	Year ended November 30							
	2006	2005	2004	2003	2002	2001	2000	1
Preferred shares outstanding, end of period (in thousands)	$140,000	$140,000	$140,000	$140,000	$140,000	$140,000	$140,000	$1
Asset Coverage ratio per Preferred Share	261%	264%	264%	264%	258%	266%	264%	
Liquidation Preference per Preferred Share	$100,059	$100,040	$100,019	$100,006	$100,004	$100,030	$100,070	$1
Average Market Value per Preferred Shares (a)	$100,000	$100,000	$100,000	$100,000	$100,000	$100,000	$100,000	$1

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

Municipal Bond Fund

	Year ended April 30							
	2007	2006	2005	2004	2003	2002	2001	2
Preferred shares outstanding, end of period (in thousands)	$133,000	$133,000	$133,000	$133,000	$133,000	$133,000	$63,000	$63
Asset Coverage ratio per Preferred Share	272%	272%	280%	273%	272%	270%	377%	3
Liquidation Preference per Preferred Share								
Series A	$25,027	$25,023	$25,016	$25,005	$25,005	$25,006	$50,094	$50
Series B	$25,012	$25,007	$25,004	$25,001	$25,006	$25,008	$50,061	$50
Average Market Value per Preferred Shares (a)								

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

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

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

Comparison of Municipal Opportunities Trust and Investment Grade Municipal Trust

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

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

Comparison of Municipal Opportunities Trust and Investment Grade Municipal Trust continued

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

Comparison of Municipal Opportunities Trust and Municipal Bond Fund

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

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

Comparison of Municipal Opportunities Trust and Municipal Bond Fund continued

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

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

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

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

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

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

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

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

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

Portfolio Leader	Joined Funds	Employer	Positions Over Past Five Years

Thalia Meehan	2006	Putnam Management 1989 Present	Team Leader, Tax Exempt Fixed Income Team Previously, Director, Tax Exempt Research

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

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

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

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

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

Description of fund shares. The Trustees of each fund have authority to issue an unlimited number of shares of beneficial interest without par value in such classes and series as may be provided for in the Bylaws. The Bylaws of Municipal Opportunities Trust currently authorize the issuance of up to 800 Series A preferred shares, 1,620 Series B preferred shares and 1,620 Series C preferred shares (and approval of the holders of Municipal Opportunities Trust s outstanding preferred shares is currently being sought to authorize $273 million in Preferred Merger Shares); the Bylaws of Investment Grade Municipal Trust currently authorize the issuance of up to 2,000 Series A preferred shares (of which there are 1,400 outstanding) and 2,000 Series I preferred shares (of which there are none outstanding); and the Bylaws of Municipal Bond Fund currently authorize the issuance of up to 2,920 Series A preferred shares and 2,400 Series B preferred shares. The Bylaws of each fund also prohibit the fund from offering additional preferred shares on parity with or having priority on liquidation over the fund s outstanding preferred shares without the approval of a majority of the fund s outstanding preferred shares. Except for the Merger Shares to be issued in the mergers, the funds do not have a present intention of offering additional shares. All other offerings of a fund s shares require approval of the Trustees. Any additional offering of common shares would be subject to the requirements of the 1940 Act that such shares may not be sold at a price per common share below the then-current net asset value per share, exclusive of underwriting discounts and commissions, except in connection with an offering to existing common shareholders or with the consent of the holders of a majority of a fund s outstanding common shares.

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

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

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

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

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

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

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

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

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

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Municipal Opportunities Trust

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

Investment Grade Municipal Trust

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

Municipal Bond Fund

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

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

(1) merger or consolidation of the fund,

(2) sale of all or substantially all of the assets of the fund,

(3) conversion of the fund to an open-end investment company, or

(4) amendment of the Agreement and Declaration of Trust to reduce the two-thirds vote required to authorize the actions in (1) through (3) above.

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

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

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

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

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

Trading discounts and repurchase of shares.

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

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

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

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

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

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

See Information about the Funds Trading Information on page 47.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

While there are any preferred shares outstanding, neither fund may declare any cash dividend or other distribution on its common shares, unless at the time of such declaration (1) all accrued dividends on the preferred shares have been paid and (2) the value of each fund s total assets, less all liabilities and indebtedness of the fund (determined after deducting the amount of such dividend or other distribution), is at least 200% of the liquidation preference of the outstanding preferred shares (expected to equal the aggregate original purchase price of the outstanding preferred shares plus any accrued and unpaid dividends thereon). In addition to the requirements of the 1940 Act, each fund is required to comply with other asset coverage requirements as a condition of the fund obtaining a rating of the preferred shares from a nationally recognized rating service. These requirements include, among other things, an asset coverage test more stringent than under the 1940 Act. The limitation on each fund s ability to make distributions on its common shares could, in certain circumstances, impair the ability of each fund to maintain its qualification for taxation as a regulated investment company or might otherwise cause the fund to be subject to federal tax. Each fund intends, however, to the extent possible, to repurchase or redeem preferred shares from time to time to maintain compliance with such asset coverage requirements and may pay special dividends to the holders of the preferred shares in certain circumstances in an effort to maintain the fund s status as a regulated investment company and to relieve the fund of any federal tax.

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

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

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

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

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

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

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

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

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

If at any time when preferred shares are outstanding Municipal Opportunities Trust does not meet applicable asset coverage requirements, it will be required to suspend distributions to common shareholders until the requisite asset coverage is restored. Any such suspension may cause the fund to pay a 4% federal excise tax (imposed on regulated investment companies that fail to distribute for a given calendar year, generally, at least 98% of their net investment income and capital gain net income), or may, in certain circumstances, prevent Municipal Opportunities Trust from qualifying as a regulated investment company. The fund may redeem preferred shares or pay special dividends to the holders of the preferred shares in an effort to comply with the distribution requirement applicable to regulated investment companies and to avoid the excise tax.

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

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

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

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

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

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

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

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

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

Municipal Opportunities Trust

(Unaudited)

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

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

Investment Grade Municipal Trust
(Unaudited)

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

Municipal Bond Fund

(Unaudited)

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

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

IV. Further Information about Voting and the Meeting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Municipal Opportunities Trust

Shareholder Name and Address	Holdings	Percentage Owned

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

* Believed to hold shares only as a nominee.

Investment Grade Municipal Trust

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

* Believed to hold shares only as a nominee.

Municipal Bond Fund

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

* Believed to hold shares only as a nominee.

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

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

Shareholder Name		Percentage

and Address	Owned
Cede & Co.* 20 Bowling Green New York, NY 10004-1408	93.72%
Karpus Management, Inc., d/b/a Karpus Investment Management 183 Sully s Trail Pittsford, New York 14534	5.44%

* Believed to hold shares only as a nominee.

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

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

* Believed to hold shares only as a nominee.

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

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

* Believed to hold shares only as a nominee.

Solicitation of proxies. In addition to soliciting proxies by mail, the Trustees of the funds and employees of Putnam Management, PFTC and Putnam Retail Management may solicit proxies in person or by telephone. Each fund may also arrange to have a proxy solicitation firm call you to record your voting instructions by telephone. The procedures for voting proxies by telephone are designed to authenticate shareholders identities, to allow shareholders to authorize the voting of their shares in accordance with their instructions and to confirm that their instructions have been properly recorded. Each fund has been advised by counsel that these procedures are consistent with the requirements of applicable law. If these procedures were subject to a successful legal challenge, such votes would not be counted at the Meeting. The funds are unaware of any such challenge at this time. Shareholders would be called at the phone number Putnam Management has in its records for their accounts, and would be asked for their Social Security number or other identifying information. The shareholders would then be given an opportunity to authorize the proxies to vote their shares in accordance with their instructions. To ensure that the shareholders instructions have been recorded correctly, they will also receive a confirmation of their instructions in the mail. A special toll-free number will be available in the event the information in the confirmation is incorrect.

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

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

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

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

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

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

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

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

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

APPENDIX A

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

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

ARTICLE I.
Surviving Company

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

ARTICLE II.
Conditions Precedent to the Conversion

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

ARTICLE III. Effective Date

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

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

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

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

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

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

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

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

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

EXHIBIT A

THE COMMONWEALTH OF MASSACHUSETTS

William Francis Galvin

Secretary of the Commonwealth

One Ashburton Place,
Boston, Massachusetts 02108-1512

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

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

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

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

Putnam Municipal Bond Fund

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

Laws ch. 156C § 69:

Putnam Municipal Bond Fund LLC

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

Signed by: _________________________________

on this ____ day of ___________, 2007

EXHIBIT B

CERTIFICATE OF ORGANIZATION

OF

PUTNAM MUNICIPAL BOND FUND LLC

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

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

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

One Post Office Square Boston, Massachusetts 02109

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

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

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

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

One Post Office Square Boston, Massachusetts 02109

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

Putnam Municipal Bond Fund LLC
One Post Office Square
Boston, Massachusetts 02109

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

Executed on _______ __, 2007

By: _____________________

Name:

Authorized Signatory

EXHIBIT C

OPERATING AGREEMENT
OF
PUTNAM MUNICIPAL BOND FUND LLC

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

WITNESSETH:

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

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

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

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

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

NOW, THEREFORE, it is hereby agreed as follows:

ARTICLE I Organization

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

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

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

ARTICLE II

Units and Unitholders

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

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

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

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

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

ARTICLE III

Management of the Company

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

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

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

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

ARTICLE IV
Miscellaneous

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

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

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

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

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

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

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

PUTNAM MUNICIPAL BOND FUND LLC

By: ________________________

Name:

Title:

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

Jameson A. Baxter

Charles B. Curtis

Robert J. Darretta

Myra R. Drucker

Charles E. Haldeman, Jr.

John A. Hill

Paul L. Joskow

Elizabeth T. Kennan

Kenneth R. Leibler

Robert E. Patterson

George Putnam, III

W. Thomas Stephens

Richard B. Worley

APPENDIX A

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

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

ARTICLE I.
Surviving Company

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

ARTICLE II.
Conditions Precedent to the Conversion

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

ARTICLE III.
Effective Date

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

ARTICLE IV.

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

ARTICLE V.

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

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

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

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

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

EXHIBIT A

THE COMMONWEALTH OF MASSACHUSETTS

William Francis Galvin

Secretary of the Commonwealth

One Ashburton Place,
Boston, Massachusetts 02108-1512

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

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

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

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

Putnam Investment Grade Municipal Trust

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

Putnam Investment Grade Municipal Trust LLC

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

____

Signed by: __________________________________

on this ____ day of ___________ , 2007

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EXHIBIT B

CERTIFICATE OF ORGANIZATION
OF
PUTNAM INVESTMENT GRADE
MUNICIPAL LLC

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

2. The name of the limited liability company is Putnam Investment Grade Municipal Trust LLC (the Limited Liability Company).

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

One Post Office Square Boston, Massachusetts 02109

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

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

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

Beth S. Mazor, Vice President Putnam Investment Grade Municipal Trust LLC One Post Office Square Boston, Massachusetts 02109

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

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

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

Executed on _______ __, 2007

By:
____

Name:

Authorized Signatory

EXHIBIT C

OPERATING AGREEMENT
OF
PUTNAM INVESTMENT GRADE TRUST LLC

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

WITNESSETH:

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

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

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

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

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

NOW, THEREFORE, it is hereby agreed as follows:

ARTICLE I
Organization

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

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

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

ARTICLE II
Units and Unitholders

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

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

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

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

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

ARTICLE III
Management of the Company

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

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

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

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

ARTICLE IV Miscellaneous

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

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

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

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

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

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

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

PUTNAM INVESTMENT GRADE MUNICIPAL TRUST LLC

By:
____

Name:

Title:

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

Jameson A. Baxter

Charles B. Curtis

Robert J. Darretta

Myra R. Drucker

Charles E. Haldeman, Jr.

John A. Hill

Paul L. Joskow

Elizabeth T. Kennan