

EVERGREEN MANAGED INCOME FUND

Form N-CSR

January 08, 2004

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

**FORM N-CSR**  
**CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number 811-21331

Evergreen Managed Income Fund

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(Exact name of registrant as specified in charter)

200 Berkeley Street  
Boston, Massachusetts 02116

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(Address of principal executive offices) (Zip code)

Michael H. Koonce, Esq.  
200 Berkeley Street  
Boston, Massachusetts 02116

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(Name and address of agent for service)

Registrant's telephone number, including area code: (617) 210-3200

Date of fiscal year end: Registrant is making an annual filing for 1 of its series, Evergreen Managed Income Fund, for the year ended October 31, 2003. This 1 series has a 10/31 fiscal year end.

Date of reporting period: October 31, 2003

**Item 1 - Reports to Stockholders.**

## Evergreen Managed Income Fund

Evergreen Managed Income Fund: Annual Report as of October 31, 2003

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A description of the Fund's proxy voting policies and procedures is available without charge, upon request, by calling 1.800.343.2898, by visiting our website at EvergreenInvestments.com or by visiting the SEC's website at <http://www.sec.gov>.

**Mutual Funds:**

**NOT FDIC INSURED    MAY LOSE VALUE    NOT BANK GUARANTEED**

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**LETTER TO SHAREHOLDERS**

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December 2003

**Dennis H. Ferro**  
President and Chief  
Executive Officer

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**Dear Evergreen Shareholder,**

We are pleased to provide the annual report for the Evergreen Managed Income Fund for the four-month period ended October 31, 2003. You can expect a full 12-month report at the close of the fund's next fiscal year end on October 31, 2004.

**Market analysis**

After strong market rallies during the first half of the calendar year, the ensuing four-month period provided investors with a challenging environment, as interest rates bounced dramatically in the early summer months. Sound fundamentals ultimately prevailed during the period ended October 2003, as improved economic growth, better than expected corporate profits and a continuing accommodative monetary policy

supported the fixed income market.

The primary reason for the early volatility in market interest rates was the Federal Reserve's perceived stance on monetary policy. After previously suggesting that deflation was its primary concern, market interest rates were driven lower in anticipation of further Fed easings. Yet when the Fed reduced their target for the federal funds rate by a less than expected 25 basis points in late June, many fixed income investors became alarmed. These worries were compounded by optimistic GDP forecasts from Fed Chairman Alan Greenspan during congressional banking committee hearings in July. As a result of these events, the yield on the 10-year Treasury rose from a low of 3.1% in June to 4.6% in late July. The "deflation trade" in bonds had changed from a significant overbought condition to an oversold one in a matter of six weeks.

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**LETTER TO SHAREHOLDERS** continued

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The swings in bond prices were accentuated by heavy selling in mortgage portfolios, which would no longer need the "hedge" against prepayment risk provided by Treasuries in a falling rate environment. Additionally, concerns that the rising federal budget deficit would push yields higher caused further selling, as did the Fed's comment that they would not pursue "alternative" methods in enacting monetary policy. Since many investors had hoped for rampant Fed purchases of Treasury bonds, this too resulted in disappointment.

The bond market began to stabilize in August with the likelihood that monetary policy makers would keep rates low for the foreseeable future. While the majority of economic data improved in recent months, the wildcard for investors continued to be sustainable employment growth. The massive investment in technology over the past decade has resulted in efficiencies never before experienced by U.S. businesses. Productivity growth remains high and most companies continue to expand without increasing their workforce.

Diversification within the fixed income markets was obviously necessary to weather last summer's storms in the bond market. Those investors in the Managed Income Fund were able to benefit from its emphasis on allocation during the period. Indeed, many corporate and high yield spreads contracted as investors sought companies with strong balance sheets and improved credit quality. Many investors concluded that as the economy expanded, the operating environment for many issuers would also improve with profits. Also, the mortgage component of the fund was flexible enough to shift its risk emphasis from contraction to extension, using more floating rate securities in order to respond in a higher rate environment. Finally, the international fixed income component provided the opportunity to benefit from improved corporate results overseas as well as the strength in foreign currencies.

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**LETTER TO SHAREHOLDERS** continued

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**For more information**

Please visit our Web site, **EvergreenInvestments.com**, for more information about our funds and other investment products available to you. Thank you for your continued support of Evergreen Investments.

Sincerely,

**Dennis H. Ferro**

President and Chief Executive Officer  
Evergreen Investment Company, Inc.

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**FINANCIAL HIGHLIGHTS**

(For a common share outstanding throughout the period)

	<b>Year Ended October 31, 2003<sup>1</sup></b>
<b>Net asset value, beginning of period</b>	\$19.10 <sup>2</sup>
<b>Income from investment operations</b>	
Net investment income	0.36
Net realized and unrealized gains or losses on securities and foreign currency related transactions	<u>0.46</u>
Total from investment operations	0.82
<b>Distributions to common shareholders from net investment income</b>	(0.39)
<b>Offering costs charged to capital for:</b>	
Common shares	(0.04)
Preferred shares	<u>(0.11)</u>
Total offering costs	(0.15)
<b>Net asset value, end of period</b>	\$19.38
<b>Market value, end of period</b>	\$18.15
<b>Total return<sup>3</sup></b>	
Based on market value	(7.35%)
Based on net asset value	3.86%

**Ratios and supplemental data**

Net assets of common shareholders, end of period (in thousands)	\$814,948
Liquidation value of preferred shares, end of period (in thousands)	\$400,098
Asset coverage ratio, end of period	30% <sup>4</sup>

**Ratios to average net assets applicable to common shareholders**

Expenses <sup>4</sup>	0.95% <sup>5</sup>
Net investment income	5.43% <sup>5</sup>
Portfolio turnover rate	8%

- 1 For the period from June 25, 2003 (commencement of operations), to October 31, 2003.
- 2 Initial public offering price of \$20.00 per share less underwriting discount of \$0.90 per share.
- 3 Total return is calculated assuming a purchase of common stock on the first day and a sale on the last day of the period reported. Dividends and distributions are assumed for the purposes of these calculations to be reinvested at prices obtained under the Fund's Automatic Dividend Reinvestment Plan. Total return does not reflect brokerage commissions or sales charges.
- 4 The ratio of expenses to average net assets excludes expense reductions but includes fee waivers and/or expense reimbursements.
- 5 Annualized

**SCHEDULE OF INVESTMENTS**

October 31, 2003

	Credit Rating <sup>(v)</sup>	Principal Amount	Value
<b>COLLATERALIZED MORTGAGE OBLIGATIONS 5.9%</b>			
FHLMC:			
Ser. 196, Class A, 1.925%, 12/15/2021	AAA	\$ 309,403	\$ 308,228
Ser. 2390, Class FD, 5.50%, 07/15/2015	AAA	636,659	639,306
Ser. 2411, Class F, 1.67%, 02/15/2032	AAA	412,967	413,749
Ser. T-42, Class A5, 7.50%, 02/25/2042	AAA	1,346,804	1,479,801
FNMA:			
Ser. 2000-45, Class F, 1.57%, 12/25/2030	AAA	3,905,404	3,919,195
Ser. 2001-37, Class F, 1.62%, 08/25/2031	AAA	1,629,489	1,639,100
Ser. 2001-62, Class FC, 1.77%, 11/25/2031	AAA	2,041,895	2,062,215

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Ser. 2001-T10, Class A2, 7.50%, 12/25/2031	AAA	1,582,807	1,734,163
Ser. 2002-95, Class FK, 1.62%, 01/25/2033	AAA	14,687,671	14,864,024
Ser. 2003-W6, Class F, 1.47%, 09/25/2042 <sup>(h)</sup>	AAA	15,920,030	16,014,555
Ser. 2003-W8, Class 3F2, 1.47%, 05/25/2042	AAA	2,871,073	2,880,556
Ser. G92-53, Class FA, 1.875%, 09/25/2022	AAA	2,524,746	<u>2,560,902</u>
<i>Total Collateralized Mortgage Obligations</i>			<u>48,515,794</u>
<b>CORPORATE BONDS 74.3%</b>			
<b>CONSUMER DISCRETIONARY 24.8%</b>			
<b>Auto Components 3.7%</b>			
Arvinmeritor, Inc., 8.75%, 03/01/2012 <sup>(p)</sup>	BB+	6,000,000	6,330,000
Dana Corp., 9.00%, 08/15/2011	BB	6,000,000	6,735,000
HLI Operating Co., Inc., 10.50%, 06/15/2010 144A	B+	4,000,000	4,380,000
R.J. Tower Corp., 12.00%, 06/01/2013 144A	B	6,000,000	5,550,000
Tenneco Automotive, Inc., 11.625%, 10/15/2009	CCC+	6,000,000	6,255,000
TRW Automotive, 10.125%, 02/15/2013	B+	750,000	<u>977,024</u>
			<u>30,227,024</u>
<b>Hotels, Restaurants &amp; Leisure 6.9%</b>			
Ameristar Casinos, Inc., 10.75%, 02/15/2009	B	6,000,000	6,945,000
Argosy Gaming Co., 10.75%, 06/01/2009	B+	6,000,000	6,600,000
Coast Hotels & Casinos, Inc., 9.50%, 04/01/2009	B	6,000,000	6,420,000
John Q Hammons Hotels LP, Ser. B, 8.875%, 05/15/2012	B	6,000,000	6,570,000
Mohegan Tribal Gaming Authority, 8.00%, 04/01/2012	BB-	6,000,000	6,555,000
Morton's Restaurant Group, Inc., 7.50%, 07/01/2010 144A	B	6,000,000	5,490,000
Station Casinos, Inc., 9.875%, 07/01/2010	B+	6,000,000	6,697,500
Venetian Casino Resort LLC, 11.00%, 06/15/2010	B-	6,000,000	6,952,500
WCI Communities, Inc., 10.625%, 02/15/2011	B	4,000,000	<u>4,480,000</u>
			<u>56,710,000</u>
<b>Household Durables 2.3%</b>			
Meritage Corp., 9.75%, 06/01/2011	B+	6,000,000	6,690,000
Sealy Mattress Co., Ser. B, 9.875%, 12/15/2007	B-	6,000,000	6,225,000
Technical Olympic USA, Inc., 10.375%, 07/01/2012	B-	5,000,000	<u>5,500,000</u>
			<u>18,415,000</u>
<b>Media 6.9%</b>			
AMC Entertainment, Inc., 9.875%, 02/01/2012	CCC+	6,000,000	6,615,000
Charter Communications Holdings LLC, 8.625%, 04/01/2009	CCC-	6,000,000	4,845,000
Dex Media East LLC, 9.875%, 11/15/2009	B	4,000,000	4,550,000

See Notes to Financial Statements

SCHEDULE OF INVESTMENTS continued

October 31, 2003

	Credit Rating <sup>(v)</sup>	Principal Amount	Value
<b>CORPORATE BONDS continued</b>			
<b>CONSUMER DISCRETIONARY continued</b>			
<b>Media continued</b>			
Dex Media West LLC, 9.875%, 08/15/2013 144A	B	\$ 2,025,000	\$ 2,313,563
EchoStar DBS Corp., 6.375%, 10/01/2011 144A	BB-	6,000,000	6,000,000
Emmis Communications Corp., Ser. B, 8.125%, 03/15/2009 <sup>(p)</sup>	B-	6,000,000	6,307,500
Insight Communications, Inc., Sr. Disc. Note, Step Bond, 0.00%, 02/15/2011 †	B-	6,000,000	4,230,000
Mediacom LLC, 9.50%, 01/15/2013 <sup>(p)</sup>	B+	6,000,000	5,730,000
PaNamSat Corp., 8.50%, 02/01/2012	B-	1,400,000	1,515,500
Paxson Communications Corp., 10.75%, 07/15/2008	CCC+	6,000,000	6,495,000
RCN Corp., 10.125%, 01/15/2010	CCC	6,000,000	2,572,500
XM Satellite Radio Inc., Sr. Disc. Note, Step Bond, 0.00%, 12/31/2009 †	CCC+	6,000,000	<u>5,175,000</u>
			<u>56,349,063</u>
<b>Specialty Retail 5.0%</b>			
Cole National Group, Inc., 8.875%, 05/15/2012	B	3,065,000	3,271,888
Group 1 Automotive, Inc., 8.25%, 08/15/2013 144A <sup>(p)</sup>	B+	3,000,000	3,270,000
Hollywood Entertainment Corp., 9.625%, 03/15/2011	B-	6,000,000	6,525,000
Michaels Stores, Inc., 9.25%, 07/01/2009	BB+	6,000,000	6,645,000
Mothers Work, Inc., 11.25%, 08/01/2010	B+	5,765,000	6,413,562
Payless ShoeSource, Inc., 8.25%, 08/01/2013 144A	B+	1,515,000	1,484,700
Tempur-Pedic, Inc., 10.25%, 08/15/2010 144A	B-	6,000,000	6,690,000
Warnaco, Inc., 8.875%, 06/15/2013 144A	B	6,000,000	<u>6,450,000</u>
			<u>40,750,150</u>
<b>CONSUMER STAPLES 3.8%</b>			
<b>Food &amp; Staples Retailing 1.2%</b>			
Kellogg Co., 6.625%, 01/29/2004	BBB	1,458,000	1,475,350
McDonald's Corp., 5.625%, 10/07/2009	AA	1,000,000	1,244,588
Rite Aid Corp.:			
8.125%, 05/01/2010	B+	4,000,000	4,300,000
12.50%, 09/15/2006	B+	2,000,000	<u>2,340,000</u>



9,359,938**Food Products 1.4%**

Chiquita Brands International, Inc., 10.56%, 03/15/2009	B-	4,000,000	4,390,000
Merisant, 9.50%, 07/15/2013 144A	B	6,500,000	<u>7,052,500</u>
			<u>11,442,500</u>

**Personal Products 0.7%**

Playtex Products, Inc., 9.375%, 06/01/2011 <sup>(P)</sup>	B-	6,000,000	<u>5,955,000</u>
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**Tobacco 0.5%**

Commonwealth Brands, Inc., 10.625%, 09/01/2008 144A	B-	4,000,000	<u>4,380,000</u>
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**ENERGY 8.1%****Energy Equipment & Services 3.5%**

Dresser, Inc., 9.375%, 04/15/2011	B	6,000,000	6,195,000
Grant Prideco, Inc., 9.625%, 12/01/2007	BB-	6,000,000	6,630,000

See Notes to Financial Statements

**SCHEDULE OF INVESTMENTS** continued

October 31, 2003

	Credit Rating <sup>(v)</sup>	Principal Amount	Value
<b>CORPORATE BONDS</b> continued			
<b>ENERGY</b> continued			
<b>Energy Equipment &amp; Services</b> continued			
Lone Star Technologies, Inc., 9.00%, 06/01/2011	B-	\$ 6,000,000	\$ 5,865,000
Parker Drilling Co., Ser. B, 10.125%, 11/15/2009	B-	3,000,000	3,150,000
SESI LLC, 8.875%, 05/15/2011	BB-	6,000,000	<u>6,480,000</u>
			<u>28,320,000</u>
<b>Oil &amp; Gas 4.6%</b>			
El Paso Energy Corp., 6.75%, 05/15/2009 <sup>(P)</sup>	B	6,000,000	5,130,000
El Paso Energy Partners LP, 8.50%, 06/01/2011	BB-	4,000,000	4,380,000
El Paso Production Holding Co., 7.75%, 06/01/2013 144A	B+	6,000,000	5,790,000
GulfTerra Energy Partners LP, 6.25%, 06/01/2010 144A	BB	4,515,000	4,560,150
Overseas Shipholding Group, Inc., 8.25%, 03/15/2013	BB+	4,000,000	4,260,000

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Pemex Project Funding Master Trust, 6.625%, 04/04/2010	BBB-	2,500,000	3,015,393
Petroleum Helicopters, Inc., 9.375%, 05/01/2009	BB-	4,000,000	4,320,000
Tesoro Petroleum Corp., 9.625%, 04/01/2012	B	6,000,000	<u>6,225,000</u>
			<u>37,680,543</u>

**FINANCIALS 5.7%**

**Capital Markets 0.5%**

Lehman Brothers Holdings, 6.375%, 05/10/2011	A	3,000,000	3,871,523
Merrill Lynch & Co., 5.75%, 12/01/2003	A+	370,000	<u>371,221</u>
			<u>4,242,744</u>

**Commercial Banks 1.0%**

HSBC Holdings plc, 5.375%, 12/20/2012	A	4,000,000	4,859,693
International Bank Reconstruction & Development, 4.75%, 11/05/2003	AAA	2,130,000	2,130,000
International Finance Corp., 5.00%, 11/25/2003	AAA	687,000	688,649
KFW International Finance, 5.00%, 11/25/2003	AAA	772,000	<u>773,698</u>
			<u>8,452,040</u>

**Consumer Finance 0.8%**

**General Electric Capital Corp.:**

4.375%, 01/20/2010	AAA	4,000,000	4,694,591
5.00%, 11/17/2003	AAA	1,775,000	<u>1,777,485</u>
			<u>6,472,076</u>

**Diversified Financial Services 0.3%**

Huntsman Advanced Materials LLC, 11.00%, 07/15/2010 144A <sup>(P)</sup>	B	2,000,000	<u>2,152,500</u>
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**Insurance 0.5%**

Crum & Forster Holdings Corp., 10.375%, 06/15/2013 144A	BB	4,000,000	<u>4,320,000</u>
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**Real Estate 1.8%**

Host Marriott Corp., 7.125%, 11/01/2013 144A #	B+	3,525,000	3,538,219
La Quinta Corp., 8.875%, 03/15/2011 REIT 144A	BB-	4,000,000	4,435,000
MeriStar Hospitality Corp., 9.00%, 01/15/2008	CCC+	6,000,000	<u>6,330,000</u>
			<u>14,303,219</u>

See Notes to Financial Statements

**SCHEDULE OF INVESTMENTS** continued

October 31, 2003

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	Credit Rating <sup>(v)</sup>	Principal Amount	Value
<b>CORPORATE BONDS continued</b>			
<b>FINANCIALS continued</b>			
<b>Thriffs &amp; Mortgage Finance 0.8%</b>			
Thornburg Mortgage, Inc., 8.00%, 05/15/2013	BB-	\$ 6,000,000	<u>\$ 6,330,000</u>
<b>HEALTH CARE 5.9%</b>			
<b>Health Care Equipment &amp; Supplies 0.5%</b>			
Kinetic Concepts, Inc., 7.375%, 05/15/2013 144A	B	1,000,000	1,030,000
Universal Hospital Services, Inc., 10.125%, 11/01/2011 144A	B-	2,500,000	<u>2,625,000</u>
			<u>3,655,000</u>
<b>Health Care Providers &amp; Services 4.7%</b>			
AmeriPath, Inc., 10.50%, 04/01/2013	B-	6,000,000	6,360,000
Extendicare Health Services, Inc., 9.35%, 12/15/2007	B-	6,000,000	6,240,000
Genesis Healthcare Corp., 8.00%, 10/15/2013 144A	B-	2,500,000	2,565,625
IASIS Healthcare Corp., 8.50%, 10/15/2009	B-	6,000,000	6,300,000
Pacificare Health Systems, Inc., 10.75%, 06/01/2009	BB-	6,000,000	6,930,000
Select Medical Corp., 9.50%, 06/15/2009	B	3,000,000	3,300,000
Triad Hospitals Holdings, Inc., Ser. B, 11.00%, 05/15/2009	B	6,000,000	<u>6,648,000</u>
			<u>38,343,625</u>
<b>Pharmaceuticals 0.7%</b>			
Alpharma, Inc., 8.625%, 05/01/2011 144A	B+	6,000,000	<u>6,015,000</u>
<b>INDUSTRIALS 7.3%</b>			
<b>Commercial Services &amp; Supplies 4.2%</b>			
Allied Waste, Inc., 10.00%, 08/01/2009	B+	6,000,000	6,555,000
IMCO Recycling, Inc., 10.375%, 10/15/2010 144A	B-	3,000,000	2,985,000
JohnsonDiversey Holdings, Inc., Sr. Disc. Note, Step Bond, 0.00%, 05/15/2013 † 144A	B	6,000,000	4,500,000
NationsRent, Inc., 9.50%, 10/15/2010 144A	BB-	6,000,000	6,240,000
Norcross Safety Products LLC, 9.875%, 08/15/2011 144A	B-	6,000,000	6,510,000
Wackenhut Corrections Corp., 8.25%, 07/15/2013 144A	B	6,000,000	6,390,000
Williams Scotsman, Inc., 9.875%, 06/01/2007 <sup>(p)</sup>	B	920,000	<u>938,400</u>
			<u>34,118,400</u>
<b>Machinery 3.1%</b>			
AGCO Corp., 8.50%, 03/15/2006	BB-	4,000,000	4,020,000
CNH Global N.V., 9.25%, 08/01/2011 144A	BB-	6,000,000	6,690,000
Cummins, Inc., 9.50%, 12/01/2010 144A	BB+	6,000,000	6,930,000
Harsco Corp., 7.25%, 10/27/2010	A-	1,000,000	1,829,252
Wolverine Tube, Inc., 10.50%, 04/01/2009	BB-	6,000,000	<u>5,790,000</u>
			<u>25,259,252</u>
<b>INFORMATION TECHNOLOGY 0.3%</b>			

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**Office Electronics 0.3%**

Xerox Corp., 9.75%, 01/15/2009	B+	1,800,000	<u>2,309,330</u>
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**MATERIALS 8.4%**

**Chemicals 3.8%**

Huntsman International LLC, 11.625%, 10/15/2010 144A	B	6,000,000	5,790,000
IMC Global, Inc., 10.875%, 08/01/2013 144A	B+	6,000,000	6,225,000

See Notes to Financial Statements

**SCHEDULE OF INVESTMENTS** continued

October 31, 2003

	Credit Rating <sup>(v)</sup>	Principal Amount	Value
<b>CORPORATE BONDS</b> continued			
<b>MATERIALS</b> continued			
<b>Chemicals</b> continued			
Lyondell Chemical Co., Ser. B, 9.875%, 05/01/2007	BB-	\$ 6,000,000	<u>\$ 6,120,000</u>
Millennium America, Inc.:			
9.25%, 06/15/2008 <sup>(p)</sup>	BB-	4,000,000	4,250,000
9.25%, 06/15/2008 144A	BB-	2,000,000	2,125,000
OM Group, Inc., 9.25%, 12/15/2011	B-	6,000,000	<u>6,090,000</u>
			<u>30,600,000</u>
<b>Containers &amp; Packaging 2.4%</b>			
Four M Corp., Ser. B, 12.00%, 06/01/2006	CCC+	6,000,000	6,060,000
Graphic Packaging International, Inc., 9.50%, 08/15/2013 144A	B-	6,000,000	6,705,000
Owens-Brockway Glass Container, Inc., 8.75%, 11/15/2012	BB	6,000,000	<u>6,600,000</u>
			<u>19,365,000</u>
<b>Metals &amp; Mining 0.8%</b>			
U.S. Steel Corp., 10.75%, 08/01/2008	BB-	6,000,000	<u>6,615,000</u>
<b>Paper &amp; Forest Products 1.4%</b>			
Buckeye Technologies, Inc., 8.50%, 10/01/2013 144A	B+	5,000,000	5,250,000
Georgia Pacific Corp., 8.125%, 05/15/2011	BB+	6,000,000	<u>6,555,000</u>
			<u>11,805,000</u>

**TELECOMMUNICATION SERVICES 9.3%**

**Diversified Telecommunication Services 2.9%**

Dobson Communications Corp., 8.875%, 10/01/2013 144A	CCC+	6,000,000	6,120,000
Level 3 Communications, Inc., 9.125%, 05/01/2008	CC	6,000,000	5,475,000
MCI Communications Corp., 8.25%, 01/20/2023	C	4,000,000	3,330,000
Qwest Communications International, Inc., Ser. B, 7.50%, 11/01/2008	CCC+	4,000,000	3,900,000
Qwest Services Corp., 13.00%, 12/15/2007 144A	CCC+	4,000,000	<u>4,560,000</u>
			<u>23,385,000</u>

**Wireless Telecommunications Services 6.4%**

Alamosa Delaware, Inc., 13.625%, 08/15/2011	C	6,000,000	5,790,000
American Tower Corp., 9.375%, 02/01/2009	CCC	6,000,000	6,330,000
Centennial Cellular Corp., 10.125%, 06/15/2013 144A	CCC	6,000,000	6,270,000
Crown Castle International Corp., 0.00%, 05/15/2011 <sup>(P)</sup>	CCC	6,000,000	6,180,000
metroPCS, Inc., 10.75%, 10/01/2011 144A	CCC+	6,000,000	5,970,000
Nextel Communications, Inc.:			
6.875%, 10/31/2013	B+	2,815,000	2,867,781
7.375%, 08/01/2015 <sup>(P)</sup>	B+	6,000,000	6,270,000
Nextel Partners, Inc., 11.00%, 03/15/2010	CCC+	1,000,000	1,112,500
Rural Cellular Corp., 9.75%, 01/15/2010	CCC	6,000,000	5,400,000
Western Wireless Corp., 9.25%, 07/15/2013 144A	CCC	6,000,000	<u>6,300,000</u>
			<u>52,490,281</u>

See Notes to Financial Statements

**SCHEDULE OF INVESTMENTS** continued

October 31, 2003

Credit Rating <sup>(v)</sup>	Principal Amount	Value
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**CORPORATE BONDS** continued

**UTILITIES 0.7%**

**Multi-Utilities & Unregulated Power 0.7%**

Reliant Resources, Inc.:

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9.25%, 07/15/2010 144A <sup>(P)</sup>	B	\$ 3,000,000	\$ 2,700,000
9.50%, 07/15/2013 144A	B	3,000,000	<u>2,685,000</u>
			<u>5,385,000</u>
<i>Total Corporate Bonds</i>			<u>605,207,685</u>
<b>FOREIGN BONDS -- CORPORATE (PRINCIPAL AMOUNT DENOMINATED IN CURRENCY INDICATED) 21.8%</b>			
<b>CONSUMER DISCRETIONARY 1.1%</b>			
<b>Automobiles 0.6%</b>			
Gie Psa Tresorerie, 5.875%, 09/27/2011, EUR	A-	3,000,000	3,729,410
Renault SA, 6.125%, 06/26/2009, EUR	BBB	1,000,000	<u>1,255,502</u>
			<u>4,984,912</u>
<b>Internet &amp; Catalog Retail 0.3%</b>			
Great University Stores, 6.375%, 07/16/2009, GBP	BBB+	1,500,000	<u>2,619,225</u>
<b>Multi-line Retail 0.2%</b>			
Woolworths Group plc, 8.75%, 11/15/2006, GBP	Ba1	1,000,000	<u>1,779,052</u>
<b>CONSUMER STAPLES 3.0%</b>			
<b>Food &amp; Staples Retailing 2.4%</b>			
Big Food Group, 9.75%, 06/30/2012, GBP	B+	500,000	856,031
Casino Guichard Perrachon SA:			
5.25%, 04/28/2010, EUR	BBB	2,000,000	2,386,307
6.00%, 03/06/2008, EUR	BBB	2,000,000	2,480,120
J. Sainsbury plc, 5.625%, 07/11/2008, EUR	A-	4,000,000	4,892,667
Tesco plc:			
4.75%, 04/13/2010, GBP	A+	4,000,000	4,748,928
7.50%, 07/30/2007, GBP	A+	2,100,000	<u>3,801,362</u>
			<u>19,165,415</u>
<b>Tobacco 0.6%</b>			
BAT International Finance plc, 4.875%, 02/25/2009, EUR	BBB+	2,000,000	2,338,356
Imperial Tobacco, 6.50%, 11/13/2008, GBP	BBB+	1,500,000	<u>2,595,439</u>
			<u>4,933,795</u>
<b>ENERGY 0.2%</b>			
<b>Oil &amp; Gas 0.2%</b>			
Transco plc, 7.00%, 12/15/2008, AUD	A	2,000,000	<u>1,449,725</u>
<b>FINANCIALS 10.4%</b>			
<b>Capital Markets 1.4%</b>			
Goldman Sachs Group, 5.125%, 04/24/2013, EUR	A+	5,250,000	6,239,674
Morgan Stanley, 4.375%, 03/01/2010, EUR	A+	4,250,000	<u>4,944,087</u>
			<u>11,183,761</u>

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## SCHEDULE OF INVESTMENTS continued

October 31, 2003

	Credit Rating <sup>(v)</sup>	Principal Amount	Value
<b>FOREIGN BONDS -- CORPORATE continued</b>			
<b>FINANCIALS continued</b>			
<b>Commercial Banks 3.4%</b>			
Australia & New Zealand Banking Group, 5.00%, 05/12/2008, AUD	B	4,230,000	\$ 2,867,868
Bsch Issuances Ltd., 5.125%, 07/06/2009, EUR	A-	4,500,000	5,423,528
Deutsche Bank AG, 5.125%, 01/31/2013, EUR	A+	2,000,000	2,371,794
Dexia Municipal Agency, 6.00%, 10/15/2007, AUD	AAA	2,000,000	1,415,963
European Investment Bank, 4.00%, 04/15/2009, SEK	AAA	5,000,000	623,332
Kreditanst Fur Wie, 3.50%, 07/15/2004, EUR	AAA	2,000,000	2,340,968
Realkredit Danmark:			
6.00%, 10/01/2022, DKK	AAA	16,000,000	2,585,442
6.00%, 10/01/2029, DKK	AAA	16,000,000	2,540,456
6.00%, 10/01/2032, DKK	AAA	16,000,000	2,535,458
Unicredito Italiano SPA, 6.10%, 02/28/2012, EUR	A	4,000,000	<u>5,106,068</u>
			<u>27,810,877</u>
<b>Consumer Finance 2.4%</b>			
BMW U.S. Capital LLC:			
4.625%, 02/20/2013, EUR	A1	1,500,000	1,728,862
5.125%, 01/28/2009, EUR	A1	2,000,000	2,433,330
National Grid Group Finance, 6.125%, 08/23/2011, EUR	A-	3,100,000	3,856,603
Swedish Export Credit Corp., 5.25%, 09/19/2007, AUD	AA+	4,000,000	2,773,824
Toyota Credit Canada, Inc., 4.75%, 12/30/2008, CAD	AAA	4,000,000	3,060,652
Volkswagen International Finance NV, 4.875%, 05/22/2013, EUR	A	5,000,000	<u>5,732,687</u>
			<u>19,585,958</u>
<b>Diversified Financial Services 0.2%</b>			
Principal Financial Global Funding LLC, 5.875%, 06/08/2009, GBP	AA	1,000,000	<u>1,713,333</u>
<b>Insurance 0.6%</b>			

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AIG Sunamerica, 5.50%, 03/07/2011, EUR	AAA	4,000,000	<u>4,953,970</u>
<b>Thriffs &amp; Mortgage Finance 2.4%</b>			
Abbey National, 4.625%, 02/11/2011, EUR	A+	4,000,000	4,699,236
Nykredit:			
6.00%, 10/01/2022, DKK	AA-	30,212,312	4,872,573
6.00%, 10/01/2029, DKK	AA-	30,265,693	4,817,360
7.00%, 10/01/2032, DKK	AA-	30,162,475	<u>4,975,254</u>
			<u>19,364,423</u>
<b>INDUSTRIALS 2.5%</b>			
<b>Building Products 0.5%</b>			
St. Gobain Nederland BV, 5.00%, 04/16/2010, EUR	A	3,700,000	<u>4,386,100</u>
<b>Commercial Services &amp; Supplies 0.5%</b>			
Agbar International, 6.00%, 11/12/2009, EUR	AA-	3,290,000	<u>4,158,628</u>

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**SCHEDULE OF INVESTMENTS** continued

October 31, 2003

	Credit Rating <sup>(v)</sup>	Principal Amount	Value
<b>FOREIGN BONDS -- CORPORATE</b> continued			
<b>INDUSTRIALS</b> continued			
<b>Construction &amp; Engineering 0.5%</b>			
ABB International Finance, Ltd:			
3.50%, 12/29/2003, EUR	BB-	500,000	\$ 581,251
5.375%, 06/30/2005, EUR	BB-	1,500,000	1,762,997
11.00%, 01/15/2004, EUR	BB-	1,000,000	<u>1,323,598</u>
			<u>3,667,846</u>
<b>Electrical Equipment 0.2%</b>			
Fimep SA, 11.00%, 02/15/2013, EUR	B+	1,250,000	<u>1,712,549</u>
<b>Industrial Conglomerates 0.8%</b>			
Bombardier, Inc, 5.75%, 02/22/2008, EUR	BBB-	2,000,000	2,366,685
LVMH Moët-Hennessy, 6.125%, 06/25/2008, EUR	BBB+	1,500,000	1,880,380



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Tyco International, Group, 5.50%, 11/19/2008, EUR	BBB+	2,000,000	<u>2,343,232</u>
			<u>6,590,297</u>
<b>INFORMATION TECHNOLOGY 0.5%</b>			
<b>Electronic Equipment &amp; Instruments 0.5%</b>			
Siemens Financieringsmaatsch, 5.75%, 07/04/2011, EUR	Aa3	3,000,000	<u>3,763,371</u>
<b>MATERIALS 0.4%</b>			
<b>Chemicals 0.2%</b>			
Bayer AG, 6.00%, 04/10/2012, EUR	A+	1,500,000	<u>1,862,789</u>
<b>Containers &amp; Packaging 0.2%</b>			
JSG Funding plc, 10.125%, 10/01/2012, EUR	B	1,150,000	<u>1,461,519</u>
<b>TELECOMMUNICATION SERVICES 1.5%</b>			
<b>Diversified Telecommunication Services 1.5%</b>			
Deutsche Telekom AG, 7.125%, 06/15/2005, GBP	BBB+	1,000,000	1,752,574
Deutsche Telekom Intl Fin BV, 5.25%, 09/24/2004, EUR	BBB+	1,000,000	1,186,594
France Telecom, 7.25%, 01/28/2013, EUR	BBB	4,250,000	5,693,879
Sogerim SA, 7.00%, 04/20/2011, EUR	BBB+	3,000,000	<u>3,947,281</u>
			<u>12,580,328</u>
<b>UTILITIES 2.2%</b>			
<b>Electric Utilities 1.6%</b>			
Electricidade De Portugal, 6.40%, 10/29/2009, EUR	A	2,000,000	2,570,566
Endesa BV, 5.375%, 02/21/2013, EUR	A	4,500,000	5,410,727
RWE Finance BV:			
5.375%, 04/18/2008, EUR	A+	2,000,000	2,453,532
6.125%, 10/26/2012, EUR	A+	2,000,000	<u>2,549,551</u>
			<u>12,984,376</u>
<b>Water Utilities 0.6%</b>			
Veolia Environnement, 4.875%, 05/28/2013, EUR	NA	4,250,000	<u>4,838,242</u>
<i>Total Foreign Bonds -- Corporate</i>			<u>177,550,491</u>

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	Credit Rating <sup>(v)</sup>	Principal Amount	Value
<b>FOREIGN BONDS -- GOVERNMENT (PRINCIPAL AMOUNT DENOMINATED IN CURRENCY INDICATED) 8.0%</b>			
Australia:			
4.00%, 08/20/2010, AUD	AAA	15,500,000	\$ 15,011,246
4.00%, 08/20/2015, AUD	AAA	5,600,000	5,339,132
Canada:			
4.40%, 03/15/2008, CAD	AAA	5,000,000	3,835,898
4.50%, 04/17/2008, CAD	AA	4,000,000	3,057,923
Hungary:			
7.00%, 08/12/2005, HUF	A	1,200,000,000	5,115,101
8.50%, 11/24/2003, HUF	A	800,000,000	3,559,991
New Zealand, 6.50%, 04/15/2013, NZD	AAA	16,850,000	10,542,104
Poland, 6.00%, 11/24/2010, PLN	A	16,500,000	3,868,147
South Africa, 7.00%, 04/10/2008, EUR	BBB	2,250,000	2,867,330
Sweden, 5.00%, 01/28/2009, SEK	AAA	90,000,000	<u>11,823,656</u>
<i>Total Foreign Bonds -- Government</i>			<u>65,020,528</u>
<b>MORTGAGE-BACKED SECURITIES 29.8%</b>			
FHLMC:			
3.61%, 07/01/2027	AAA	\$2,074,091	2,144,767
3.875%, 12/01/2022	AAA	107,253	108,207
4.02%, 10/01/2024	AAA	157,915	161,449
4.32%, 09/01/2032 ##	AAA	5,046,591	5,236,682
4.36%, 03/01/2018	AAA	632,042	642,249
4.375%, 12/01/2018	AAA	116,035	119,243
4.42%, 10/01/2017	AAA	29,368	29,807
4.49%, 08/01/2017	AAA	72,019	73,228
4.50%, 05/01/2019	AAA	33,778	34,247
4.77%, 10/01/2022	AAA	475,130	484,837
4.84%, 12/01/2026	AAA	338,481	342,742
4.93%, 08/01/2029	AAA	2,362,942	2,437,693
5.00%, 05/01/2025-07/01/2030	AAA	646,727	666,781
5.18%, 01/01/2030	AAA	398,174	412,949
5.19%, 06/01/2032	AAA	1,980,928	2,072,850
5.72%, 06/01/2018	AAA	619,730	653,623
5.73%, 03/01/2032	AAA	945,802	979,195
5.75%, 09/15/2010	AAA	3,750,000	4,748,188
5.76%, 06/01/2028	AAA	404,920	408,245
6.88%, 01/01/2027	AAA	695,598	713,096

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7.11%, 06/01/2035	AAA	578,247	592,022
8.50%, 03/01/2030	AAA	428,117	468,824
FNMA:			
1.72%, 04/25/2031	AAA	1,602,064	1,610,377
2.45%, 06/01/2033	AAA	4,437,759	4,612,024
2.53%, 04/01/2028	AAA	3,878,830	3,971,191
2.74%, 06/01/2040	AAA	3,381,152	3,433,007
3.20%, 12/01/2017	AAA	3,284,474	3,340,867
3.44%, 04/01/2025	AAA	1,141,230	1,152,229
3.77%, 05/01/2032	AAA	1,270,966	1,292,246

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SCHEDULE OF INVESTMENTS continued

October 31, 2003

	Credit Rating <sup>(v)</sup>	Principal Amount	Value
<b>MORTGAGE-BACKED SECURITIES continued</b>			
FNMA continued			
3.84%, 06/01/2029	AAA	\$ 716,080	\$ 738,071
3.89%, 04/01/2019	AAA	3,061,993	3,094,391
3.90%, 12/01/2032	AAA	5,687,807	5,901,733
3.91%, 01/01/2032	AAA	4,472,510	4,716,623
4.06%, 05/01/2036	AAA	3,173,789	3,235,560
4.13%, 03/01/2029	AAA	426,554	432,577
4.21%, 03/01/2035 <sup>(h)</sup>	AAA	15,578,479	15,904,653
4.28%, 03/01/2038	AAA	4,110,434	4,247,885
4.38%, 10/01/2032	AAA	651,917	665,467
4.46%, 02/01/2033	AAA	814,243	828,277
4.47%, 04/01/2028	AAA	284,228	288,280
4.50%, 10/01/2032	AAA	2,721,868	2,807,843
4.53%, 05/01/2025	AAA	315,046	316,774
4.56%, 10/01/2028	AAA	258,299	262,016

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4.65%, 11/01/2023	AAA	486,357	497,287
4.77%, 04/01/2030-07/01/2033	AAA	15,786,084	16,323,012
4.83%, 02/01/2033	AAA	2,601,144	2,655,516
4.87%, 06/01/2033	AAA	5,732,735	5,881,410
4.90%, 06/01/2033 <sup>(h)</sup>	AAA	11,159,644	11,567,668
4.99%, 03/01/2023-12/01/2023	AAA	1,579,812	1,628,804
5.02%, 12/01/2034 <sup>(h)</sup>	AAA	4,910,698	5,051,881
5.11%, 12/01/2022	AAA	71,260	72,004
5.17%, 05/01/2033	AAA	2,099,628	2,140,380
5.22%, 01/01/2034 <sup>(h)</sup>	AAA	2,535,147	2,612,786
5.36%, 04/01/2033 <sup>(h)</sup>	AAA	15,002,029	15,677,121
5.50%, 12/01/2016	AAA	47,032	48,015
5.53%, 12/01/2023	AAA	1,219,268	1,234,925
5.55%, 09/01/2024	AAA	45,872	47,021
5.625%, 01/01/2017	AAA	146,493	149,983
5.67%, 02/01/2031	AAA	3,159,592	3,227,326
5.78%, 03/01/2032	AAA	554,695	575,444
6.00%, 05/01/2021-04/01/2033	AAA	5,956,449	6,119,796
6.18%, 02/01/2032	AAA	551,461	570,647
6.24%, 04/01/2025	AAA	951,798	975,220
6.25%, 04/01/2021	AAA	33,251	34,491
6.31%, 02/01/2008 <sup>(h)</sup>	AAA	1,070,625	1,173,672
6.41%, 01/01/2033	AAA	4,429,264	4,598,491
6.46%, 06/01/2031	AAA	797,148	817,323
6.50%, 11/01/2032 <sup>(h)</sup>	AAA	5,708,121	5,963,203
6.64%, 11/01/2024	AAA	1,161,366	1,184,423
7.00%, 07/01/2032-09/01/2032 <sup>(h)</sup>	AAA	18,581,154	19,754,090
7.50%, 07/01/2032 <sup>(h)</sup>	AAA	2,023,161	2,178,691
8.00%, 06/01/2030	AAA	1,018,213	1,108,769
GNMA:			
1.625%, 09/16/2027	AAA	8,403,459	8,452,323
1.67%, 09/16/2024	AAA	2,433,136	2,439,106
4.00%, 09/20/2030-10/20/2031	AAA	10,607,318	10,658,655

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October 31, 2003

	Credit Rating <sup>(v)</sup>	Principal Amount	Value
<b>MORTGAGE-BACKED SECURITIES continued</b>			
GNMA continued			
4.25%, 02/20/2029	AAA	\$ 4,363,396	\$ 4,397,085
4.375%, 01/20/2027-03/20/2028	AAA	1,663,379	1,682,276
4.50%, 10/20/2030-02/20/2031	AAA	3,817,140	3,863,878
5.00%, 11/20/2030	AAA	1,404,511	1,428,624
6.50%, 06/15/2028	AAA	346,678	363,486
9.50%, 12/15/2009-04/15/2011 <sup>(h)</sup>	AAA	8,037,624	<u>9,209,358</u>
<i>Total Mortgage-Backed Securities</i>			<u>242,747,205</u>
<b>U.S. GOVERNMENT &amp; AGENCY OBLIGATIONS 0.9%</b>			
FHLB, 2.04%, 08/28/2013	AAA	7,000,000	<u>6,998,600</u>
<b>YANKEE OBLIGATIONS -- CORPORATE 4.5%</b>			
<b>CONSUMER DISCRETIONARY 0.9%</b>			
<b>Media 0.9%</b>			
IMAX Corp., 7.875%, 12/01/2005	CCC+	2,400,000	2,436,000
Vivendi Universal SA, 9.25%, 04/15/2010 144A	BB	4,000,000	<u>4,670,000</u>
			<u>7,106,000</u>
<b>CONSUMER STAPLES 0.1%</b>			
<b>Food Products 0.1%</b>			
Nestle Holdings UK plc, 5.00%, 12/08/2003	AAA	737,000	<u>739,837</u>
<b>ENERGY 0.7%</b>			
<b>Oil &amp; Gas 0.7%</b>			
Chesapeake Energy Corp., 9.00%, 08/15/2012	BB-	4,000,000	4,580,000
Shell Finance UK plc, 5.00%, 11/19/2003	Aaa	1,220,000	<u>1,222,013</u>
			<u>5,802,013</u>
<b>FINANCIALS 0.9%</b>			
<b>Capital Markets 0.1%</b>			
LB Baden Wurttemberg Capital Markets, 5.25%, 01/12/2004	AAA	915,000	<u>921,908</u>
<b>Commercial Banks 0.4%</b>			
Bank Nederlandse Gemeenten:			
6.50%, 11/18/2003	AAA	198,000	198,465
7.125%, 01/27/2004	AAA	415,000	420,603
Caisse Amort Dette Sociale, 5.125%, 01/22/2004	AAA	325,000	327,730
Dexia Municipal Agency, 5.50%, 01/23/2004	AAA	497,000	501,647

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DSL Bank, 5.125%, 01/20/2004	Aaa	689,000	694,615
Rabobank Nederland, 7.125%, 12/15/2003	AAA	960,000	<u>966,480</u>
			<u>3,109,540</u>
<b>Diversified Financial Services 0.1%</b>			
Dresdner Finance BV, 5.50%, 01/22/2004	A	1,192,000	<u>1,202,490</u>
<b>Insurance 0.3%</b>			
SunAmerica Institutional Funding:			
5.375%, 11/17/2003	AAA	360,000	360,558
5.375%, 12/07/2009	AAA	1,000,000	<u>1,689,421</u>
			<u>2,049,979</u>

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SCHEDULE OF INVESTMENTS continued

October 31, 2003

	Credit Rating <sup>(v)</sup>	Principal Amount	Value
<b>YANKEE OBLIGATIONS -- CORPORATE continued</b>			
<b>INDUSTRIALS 0.8%</b>			
<b>Containers &amp; Packaging 0.8%</b>			
Crown European Holdings SA, 10.875%, 03/01/2013 <sup>(p)</sup>	B	\$ 6,000,000	<u>\$ 6,870,000</u>
<b>MATERIALS 0.7%</b>			
<b>Paper &amp; Forest Products 0.7%</b>			
Ainsworth Lumber, Ltd., 12.50%, 07/15/2007	B-	2,000,000	2,305,000
Tembec Industries, Inc., 8.50%, 02/01/2011	BB	4,020,000	<u>3,899,400</u>
			<u>6,204,400</u>
<b>TELECOMMUNICATION SERVICES 0.4%</b>			
<b>Diversified Telecommunication Services 0.4%</b>			
British Telecom plc, 2.435%, 12/15/2003	A-	3,000,000	<u>3,003,624</u>
<i>Total Yankee Obligations -- Corporate</i>			<u>37,009,791</u>
<b>YANKEE OBLIGATIONS -- GOVERNMENT 0.2%</b>			
Belgium, 5.50%, 11/05/2003	AA+	1,130,000	1,130,226
Italy, 5.00%, 11/20/2003	AA	639,000	<u>640,086</u>

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Total Yankee Obligations -- Government

1,770,312

	Shares	Value
<b>SHORT-TERM INVESTMENTS 5.7%</b>		
<b>MUTUAL FUND SHARES 5.7%</b>		
Evergreen Institutional Money Market Fund <sup>(a)</sup>	12,405,731	12,405,731
Navigator Prime Portfolio <sup>(pp)</sup>	34,342,810	<u>34,342,810</u>
Total Short-Term Investments		<u>46,748,541</u>
<b>Total Investments (cost \$1,215,134,088) 151.1%</b>		1,231,568,947
<b>Other Assets and Liabilities (51.1%)</b>		<u>(416,621,334)</u>
<b>Net Assets 100.0%</b>		<b><u>\$ 814,947,613</u></b>

<sup>(v)</sup> Credit ratings are unaudited and rated by Moody's Investors Service where Standard and Poor's ratings are not available.

<sup>(o)</sup> Evergreen Investment Management Company, LLC is the investment advisor to both the Fund and the money market fund.

144A Security that may be sold to qualified institutional buyers under Rule 144A of the Securities Act of 1933, as amended. This security has been determined to be liquid under guidelines established by the Board of Trustees.

† Security initially issued in zero coupon form which converts to coupon form at a specified rate and date. An effective interest rate is applied to recognize interest income daily for the bond. This rate is based on total expected interest to be earned over the life of the bond which consists of the aggregate coupon-interest payments and discount at acquisition. The rate shown is the rate at the current period end.

<sup>(h)</sup> Valued at fair value as determined in good faith under procedures established by the Board of Trustees.

<sup>(p)</sup> All or a portion of this security is on loan.

<sup>(pp)</sup> Represents investment of cash collateral received from securities on loan.

# When-issued security

## All or a portion of this security has been segregated for when-issued securities.

See Notes to Financial Statements

**SCHEDULE OF INVESTMENTS** continued

October 31, 2003

**Summary of Abbreviations**

AUD	Australian Dollar
CAD	Canadian Dollar

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DKK	Danish Kroner
EUR	Euro
FHLB	Federal Home Loan Bank
FHLMC	Federal Home Loan Mortgage Corp.
FNMA	Federal National Mortgage Association
GBP	Pound Sterling
GNMA	Government National Mortgage Association
HUF	Hungarian Franc
NZD	New Zealand Dollar
PLN	Polish Zloty
REIT	Real Estate Investment Trust
SEK	Swedish Krona

The following table shows the percent of total investments by geographic location as of October 31, 2003:

United States	78.5%
United Kingdom	3.1%
France	3.1%
Netherlands	2.3%
Canada	1.9%
Australia	1.9%
Denmark	1.8%
Sweden	1.2%
Cayman Island	1.1%
Luxembourg	1.1%
New Zealand	0.9%
Hungary	0.7%
Germany	0.7%
Italy	0.5%
Poland	0.3%
Netherland Antilles	0.3%
South Africa	0.2%
Portugal	0.2%
Ireland	0.1%
Belgium	<u>0.1%</u>
	<u>100.0%</u>

See Notes to Financial Statements



## STATEMENT OF ASSETS AND LIABILITIES

October 31, 2003

**Assets**

Identified cost of securities	\$ 1,215,134,088
Net unrealized gains on securities	16,434,859

Market value of securities	1,231,568,947
Foreign currency, at value (cost \$3,514,071)	3,488,863
Principal paydown receivable	591,683
Interest receivable	23,434,454
Receivable for closed forward foreign currency exchange contracts	1,588,166
Unrealized gains on forward foreign currency exchange contracts	723,540
Receivable for securities lending income	318

Total assets	1,261,395,971
--------------	---------------

**Liabilities**

Dividends payable	5,502,476
Payable for securities purchased	4,213,000
Payable for securities on loan	34,342,810
Payable for closed forward foreign currency exchange contracts	1,286,748
Payable for offering costs	673,433
Advisory fee payable	55,021
Due to related parties	5,002
Accrued expenses and other liabilities	271,836

Total liabilities	46,350,326
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**Preferred shares at redemption value**

\$25,000 liquidation value per share applicable to 16,000 shares, including dividends payable of \$98,032	400,098,032
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<b>Net assets applicable to common shareholders</b>	<b>\$ 814,947,613</b>
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**Net assets applicable to common shareholders represented by**

Paid-in capital	\$ 797,140,640
Undistributed net investment income	2,581,691
Accumulated net realized losses on securities and foreign currency related transactions	(2,043,037)
Net unrealized gains on securities and foreign currency related transactions	17,268,319

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**Net assets applicable to common shareholders** \$ 814,947,613

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**Net asset value per share applicable to common shareholders**

(\$814,947,613 divided by 42,055,000 common shares issued and outstanding) \$ 19.38

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See Notes to Financial Statements

**STATEMENT OF OPERATIONS**

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Year Ended October 31, 2003 (a)

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**Investment income**

Interest (net of foreign withholding taxes of \$48,048)	\$ 17,800,359
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**Expenses**

Advisory fee	1,931,832
Administrative services fee	175,621
Transfer agent fees	27,700
Trustees' fees and expenses	31,667
Printing and postage expenses	80,001
Custodian fees	121,906
Professional fees	52,680
Auction agent fees	203,363
Other	30,500

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Total expenses	2,655,270
Less: Expense reductions	(2,133)
<hr/>	
Net expenses	2,653,137
<hr/>	
<b>Net investment income</b>	<b>15,147,222</b>
<hr/>	
<b>Net realized and unrealized gains or losses on securities and foreign currency related transactions</b>	
Net realized gains or losses on:	
Securities	4,629,379
Foreign currency related transactions	(1,893,969)
<hr/>	
Net realized gains on securities and foreign currency related transactions	2,735,410
Net change in unrealized gains or losses on securities and foreign currency related transactions	17,268,319
<hr/>	
Net realized and unrealized gains or losses on securities and foreign currency related transactions	20,003,729
<hr/>	
Dividends to preferred shareholders from net investment income	(836,549)
<hr/>	
Net increase in net assets applicable to common shareholders resulting from operations	\$ 34,314,402
<hr/>	

(a) For the period from June 25, 2003 (commencement of operations), to October 31, 2003.

See Notes to Financial Statements

**STATEMENT OF CHANGES IN NET ASSETS**

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Year Ended October 31, 2003 (a)

<hr/>	
<b>Operations</b>	
Net investment income	\$ 15,147,222

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Net realized gains on securities and foreign currency related transactions	2,735,410
Net change in unrealized gains or losses on securities and foreign currency related transactions	17,268,319
Dividends to preferred shareholders from net investment income	(836,549)
<hr/>	
Net increase in net assets applicable to common shareholders resulting from operations	34,314,402
<hr/>	
<b>Distributions to common shareholders from net investment income</b>	<b>(16,507,429)</b>
<hr/>	
<b>Capital share transactions</b>	
Net proceeds from the issuance of common shares	744,900,000
Net proceeds from underwriters' over-allotment option exercised	58,133,000
Common share offering expenses charged to paid-in capital	(1,560,000)
Preferred share offering expenses charged to paid-in capital	(4,432,360)
<hr/>	
Net increase in net assets resulting from capital share transactions	797,040,640
<hr/>	
Total increase in net assets applicable to common shareholders	814,847,613
<b>Net assets applicable to common shareholders</b>	
Beginning of period	100,000
<hr/>	
End of period	\$ 814,947,613
<hr/>	
Undistributed net investment income	\$ 2,581,691
<hr/>	

(a) For the period from June 25, 2003 (commencement of operations), to October 31, 2003.

See Notes to Financial Statements

### NOTES TO FINANCIAL STATEMENTS

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#### 1. SIGNIFICANT ACCOUNTING POLICIES

Evergreen Managed Income Fund (the "Fund") was organized as a statutory trust under the laws of the state of Delaware on April 10, 2003 and is registered as a diversified closed-end management investment company under the Investment Company Act of 1940, as amended. The Fund

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commenced operations on June 25, 2003. The Fund's investment objective is to seek a high level of current income consistent with limiting its overall exposure to domestic interest rate risk.

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. The policies are in conformity with generally accepted accounting principles in the United States of America, which require management to make estimates and assumptions that affect amounts reported herein. Actual results could differ from these estimates.

### **a. Valuation of investments**

Portfolio debt securities acquired with more than 60 days to maturity are valued at prices obtained from an independent pricing service which takes into consideration such factors as similar security prices, yields, maturities, liquidity and ratings. Securities for which valuations are not available from an independent pricing service may be valued by brokers which use prices provided by market makers or estimates of market value obtained from yield data relating to investments or securities with similar characteristics.

Short-term securities with remaining maturities of 60 days or less at the time of purchase are valued at amortized cost, which approximates market value.

Investments in other mutual funds are valued at net asset value. Securities for which market quotations are not available are valued at fair value as determined in good faith, according to procedures approved by the Board of Trustees.

### **b. Repurchase agreements**

Securities pledged as collateral for repurchase agreements are held by the custodian bank or in a segregated account in the Fund's name until the agreements mature. Each agreement requires that the market value of the collateral be sufficient to cover payments of interest and principal. However, in the event of default or bankruptcy by the other party to the agreement, retention of the collateral may be subject to legal proceedings. The Fund will only enter into repurchase agreements with banks and other financial institutions, which are deemed by the investment advisor to be creditworthy pursuant to guidelines established by the Board of Trustees.

### **c. Foreign currency translation**

All assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the date of valuation. Purchases and sales of portfolio securities and income items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions. The Fund does not separately account for that portion of the results of operations resulting from changes in foreign exchange rates on investments and the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gains or losses on securities.

## **NOTES TO FINANCIAL STATEMENTS** continued

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### **d. Forward foreign currency contracts**

A forward foreign currency contract is an agreement between two parties to purchase or sell a specific currency for an agreed-upon price at a future date. The Fund enters into forward foreign currency contracts to facilitate transactions in foreign-denominated securities and to attempt to minimize the risk to the Fund from adverse changes in the relationship between currencies. Forward foreign currency contracts are recorded at the forward rate and marked-to-market daily. When the contracts are closed, realized gains and losses arising from such transactions are recorded as realized gains or losses on foreign currency related transactions. The Fund could be exposed to risks if the counterparties to the contracts are unable to meet the terms of their contracts or if the value of the foreign currency changes unfavorably.

### **e. When-issued and delayed delivery transactions**

The Fund records when-issued securities as of trade date and maintains security positions such that sufficient liquid assets will be available to make payment for the securities purchased. Securities purchased on a when-issued or delayed delivery basis are marked-to-market daily and

begin earning interest on the settlement date. Losses may occur on these transactions due to changes in market conditions or the failure of counterparties to perform under the contract.

**f. Securities lending**

The Fund may lend its securities to certain qualified brokers in order to earn additional income. The Fund receives compensation in the form of fees or interest earned on the investment of any cash collateral received. The Fund also continues to receive interest and dividends on the securities loaned. The Fund receives collateral in the form of cash or securities with a market value at least equal to the market value of the securities on loan, including accrued interest. In the event of default or bankruptcy by the borrower, the Fund could experience delays and costs in recovering the loaned securities or in gaining access to the collateral. The Fund has the right under the lending agreement to recover the securities from the borrower on demand.

**g. Security transactions and investment income**

Security transactions are recorded on trade date. Realized gains and losses are computed using the specific cost of the security sold. Interest income is recorded on the accrual basis and includes accretion of discounts and amortization of premiums. Foreign income and capital gains realized on some securities may be subject to foreign taxes, which are accrued as applicable.

**h. Dollar roll transactions**

The Fund may enter into dollar roll transactions with respect to mortgage-backed securities. In a dollar roll transaction, the Fund sells mortgage-backed securities to financial institutions and simultaneously agrees to accept substantially similar (same type, coupon and maturity) securities at a later date at an agreed upon price. The Fund will use the proceeds generated from the transactions to invest in short-term investments, which may enhance the Fund's current yield and total return. The Fund accounts for dollar roll transactions as purchases and sales.

**NOTES TO FINANCIAL STATEMENTS** continued

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**i. Federal taxes**

The Fund intends to continue to qualify as a regulated investment company and distribute all of its taxable income, including any net capital gains (which have already been offset by available capital loss carryovers). Accordingly, no provision for federal taxes is required.

**j. Distributions**

Distributions to shareholders from net investment income and net realized gains, if any, are recorded on the ex-dividend date. Such distributions are determined in conformity with income tax regulations, which may differ from generally accepted accounting principles.

Reclassifications have been made to the Fund's components of net assets to reflect income and gains available for distribution (or available capital loss carryovers, as applicable) under income tax regulations. The primary permanent differences causing such reclassifications are due to net realized foreign currency gains or losses and amortization of bond premium.

**2. ADVISORY FEE AND OTHER TRANSACTIONS WITH AFFILIATES**

Evergreen Investment Management Company, LLC ("EIMC"), an indirect, wholly-owned subsidiary of Wachovia Corporation ("Wachovia"), is the investment advisor to the Fund and is paid an annual fee of 0.55% of the Fund's average daily net assets applicable to common shareholders if only common shares are outstanding. The advisory fee increases to 0.82% of the Fund's average daily net assets applicable to common shareholders once preferred shares are issued. The Fund issued preferred shares on August 29, 2003.

First International Advisors, Ltd. ("FIA"), an indirect, wholly-owned subsidiary of Wachovia, is the investment sub-advisor to the Fund and is paid by EIMC for its services to the Fund. Subject to the supervision of EIMC, FIA manages the foreign debt securities portion of the Fund's portfolio in accordance with the Fund's investment objective and policies.

From time to time, EIMC may voluntarily or contractually waive its fee and/or reimburse expenses in order to limit operating expenses. For any fee waivers and/or reimbursements made after January 1, 2003, EIMC may recoup any amounts waived and/or reimbursed up to a period of three years following the end of the fiscal year in which the fee waivers and/or reimbursements were made.

Evergreen Investment Services, Inc. ("EIS"), an indirect, wholly-owned subsidiary of Wachovia, is the administrator to the Fund. As administrator, EIS provides the Fund with facilities, equipment and personnel and is paid an annual administrative fee of 0.05% of the Fund's average daily total assets.

NOTES TO FINANCIAL STATEMENTS continued

**3. CAPITAL SHARE TRANSACTIONS**

The Fund has authorized capital of 100,000,000 common shares with no par value. For the period from June 25, 2003 (commencement of operations), to October 31, 2003 the Fund issued 42,055,000 common shares.

**4. SECURITIES TRANSACTIONS**

Cost of purchases and proceeds from sales of investment securities (excluding short-term securities) were as follows for the period ended October 31, 2003:

Cost of Purchases		Proceeds from Sales	
U.S. Government	Non-U.S. Government	U.S. Government	Non-U.S. Government
\$ 335,143,411	\$ 928,577,328	\$ 3,047,858	\$ 58,014,224

At October 31, 2003, the Fund had forward foreign currency exchange contracts outstanding as follows:

Forward Foreign Currency Exchange Contracts to Buy:

Exchange Date	Contracts to Receive	U.S. Value at October 31, 2003	In Exchange for U.S. \$	Unrealized Gain
12/22/2003	3,379,000,000 JPY	\$ 30,740,794	\$ 30,017,254	\$ 723,540

During the period ended October 31, 2003, the Fund loaned securities to certain brokers. At October 31, 2003, the value of securities on loan and the value of collateral (including accrued interest) amounted to \$33,656,447 and \$34,342,810, respectively. During the period ended October 31, 2003, the Fund earned \$318 in income from securities lending which is included in interest income on the Statement of Operations.

On October 31, 2003, the aggregate cost of securities for federal income tax purposes was \$1,216,411,968. The gross unrealized appreciation and depreciation on securities based on tax cost was \$21,634,782 and \$6,477,803, respectively, with a net unrealized appreciation of \$15,156,979.

As of October 31, 2003, the Fund had \$655,237 in capital loss carryovers for federal income tax purposes expiring in 2011.

NOTES TO FINANCIAL STATEMENTS continued

**5. DISTRIBUTIONS TO SHAREHOLDERS**

As of October 31, 2003, the components of distributable earnings on a tax basis were as follows:

<b>Undistributed Ordinary Income</b>	<b>Unrealized Appreciation</b>	<b>Capital Loss Carryover</b>
\$ 3,305,231	\$ 15,156,979	\$ 655,237

The differences between the components of distributable earnings on a tax basis and the amounts reflected in the Statement of Assets and Liabilities are primarily due to wash sales, amortization of bond premium and foreign currency gain/loss.

The tax character of distributions paid for the year ended October 31, 2003 was \$17,343,978 of ordinary income.

**6. AUCTION MARKET PREFERRED SHARES**

The Fund has issued 16,000 Auction Market Preferred Shares ("Preferred Shares") consisting of five series, each with a liquidation value of \$25,000 plus accumulated but unpaid dividends (whether or not earned or declared). Dividends on each series of Preferred Shares are cumulative at a rate which is reset based on the result of an auction. The annualized dividend rate was 1.21% during the period ended October 31, 2003. The Fund will not declare, pay or set apart for payment any dividend to its common shareholders unless the Fund has declared and paid or contemporaneously declares and pays full cumulative dividends on each series of Preferred Shares through its most recent dividend payment date.

Each series of Preferred Shares is redeemable, in whole or in part, at the option of the Fund on any dividend payment date at \$25,000 per share plus any accumulated or unpaid dividends (whether or not earned or declared). Each series of Preferred Shares is also subject to mandatory redemption at \$25,000 per share plus any accumulated or unpaid dividends (whether or not earned or declared) if the requirement relating to the asset coverage with respect to the outstanding Preferred Shares would be less than 200%.



The holders of Preferred Shares have voting rights equal to the holders of the Fund's common shares and will vote together with holders of common shares as a single class. Holders of Preferred Shares, voting as a separate class, are entitled to elect two of the Fund's Trustees.

**NOTES TO FINANCIAL STATEMENTS** continued

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**7. EXPENSE REDUCTIONS**

Through expense offset arrangements with the Fund's custodian, a portion of fund expenses has been reduced.

**8. DEFERRED TRUSTEES' FEES**

Each independent Trustee of the Fund may defer any or all compensation related to performance of their duties as Trustees. The Trustees' deferred balances are allocated to deferral accounts, which are included in the accrued expenses for the Fund. The investment performance of the deferral accounts are based on the investment performance of certain Evergreen funds. Any gains earned or losses incurred in the deferral accounts are reported in the Fund's Trustees' fees and expenses. At the election of the Trustees, the deferral account will be paid either in one lump sum or in quarterly installments for up to ten years.

**9. CONCENTRATION OF RISK**

The Fund may invest a substantial portion of its assets in an industry, sector or foreign country and, therefore, may be more affected by changes in that industry, sector or foreign country than would be a comparable mutual fund that is not heavily weighted in any industry, sector or foreign country.

**10. SUBSEQUENT DISTRIBUTIONS**

On October 20, 2003, the Fund declared distributions from net investment income of \$0.13084 per share, payable on December 1, 2003 to shareholders of record on November 17, 2003. On November 20, 2003, the Fund declared distributions from net investment income of \$0.13084 per share, payable on January, 2, 2004 to shareholders of record on December 15, 2003. These distributions are not reflected in the accompanying financial statements.

**INDEPENDENT AUDITORS' REPORT**

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Board of Trustees and Shareholders  
Evergreen Managed Income Fund

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of the Evergreen Managed Income Fund, as of October 31, 2003, and the related statement of operations and statements of changes in net assets and the financial highlights for the period from June 25, 2003 (commencement of operations) to October 31, 2003. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based

on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of October 31, 2003 by correspondence with the custodian and brokers. As to securities purchased or sold but not yet received or delivered, we performed other appropriate auditing procedures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the Evergreen Managed Income Fund as of October 31, 2003, and the results of its operations, changes in its net assets and financial highlights for each of the periods described above in conformity with accounting principles generally accepted in the United States of America.

Boston, Massachusetts  
December 5, 2003

**AUTOMATIC DIVIDEND REINVESTMENT PLAN (unaudited)**

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All common shareholders are eligible to participate in the Automatic Dividend Reinvestment Plan ("the Plan"). Pursuant to the Plan, unless a common shareholder is ineligible or elects otherwise, all cash dividends and capital gains distributions are automatically reinvested by EquiServe Trust Company, N.A., as agent for shareholders in administering the Plan ("Plan Agent"), in additional common shares of the Fund. Whenever the Fund declares an ordinary income dividend or a capital gain dividend (collectively referred to as "dividends") payable either in shares or in cash, non-participants in the Plan will receive cash, and participants in the Plan will receive the equivalent in shares of common shares. The shares are acquired by the Plan Agent for the participant's account, depending upon the circumstances described below, either (i) through receipt of additional unissued but authorized common shares from the Fund ("newly issued common shares") or (ii) by purchase of outstanding common shares on the open market (open-market purchases) on the American Stock Exchange or elsewhere. If, on the payment date for any dividend or distribution, the net asset value per share of the common shares is equal to or less than the market price per common share plus estimated brokerage commissions ("market premium"), the Plan Agent will invest the amount of such dividend or distribution in newly issued shares on behalf of the participant. The number of newly issued common shares to be credited to the participant's account will be determined by dividing the dollar amount of the dividend by the net asset value per share on the date the shares are issued, provided that the maximum discount from the then current market price per share on the date of issuance may not exceed 5%. If on the dividend payment date the net asset value per share is greater than the market value or market premium ("market discount"), the Plan Agent will invest the dividend amount in shares acquired on behalf of the participant in open-market purchases. There will be no brokerage charges with respect to shares issued directly by the Fund as a result of dividends or capital gains distributions payable either in shares or in cash. However, each participant will pay a pro rata share of brokerage commissions incurred with respect to the Plan Agent's open-market purchases in connection with the reinvestment of dividends. The automatic reinvestment of dividends and distributions will not relieve participants of any federal, state or local income tax that may be payable (or required to be withheld) on such dividends. All correspondence concerning the Plan should be directed to the Plan Agent at P.O. Box 43010, Providence, Rhode Island 02940-3010.

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**TRUSTEES AND OFFICERS**


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**TRUSTEES<sup>1</sup>****Charles A. Austin III**

Trustee  
 DOB: 10/23/1934  
 Term of office since: 1991  
 Other directorships: None

Principal occupations: Investment Counselor, Anchor Capital Advisors, Inc. (investment advice); Director, The Andover Companies (insurance); Trustee, Arthritis Foundation of New England; Director, The Francis Ouimet Society; Former Investment Counselor, Appleton Partners, Inc. (investment advice); Former Director, Executive Vice President and Treasurer, State Street Research & Management Company (investment advice); Former Director, Health Development Corp. (fitness-wellness centers); Former Director, Mentor Income Fund, Inc.; Former Trustee, Mentor Funds and Cash Resource Trust.

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**K. Dun Gifford**

Trustee  
 DOB: 10/23/1938  
 Term of office since: 1974  
 Other directorships: None

Principal occupations: Chairman and President, Oldways Preservation and Exchange Trust (education); Trustee, Treasurer and Chairman of the Finance Committee, Cambridge College; Former Managing Partner, Roscommon Capital Corp.; Former Chairman of the Board, Director, and Executive Vice President, The London Harness Company (leather goods purveyor); Former Chairman, Gifford, Drescher & Associates (environmental consulting); Former Director, Mentor Income Fund, Inc.; Former Trustee, Mentor Funds and Cash Resource Trust.

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**Leroy Keith, Jr.**

Trustee  
 DOB: 2/14/1939  
 Term of office since: 1983  
 Other directorships: Trustee, Phoenix Series Fund, Phoenix Multi-Portfolio Fund, and The Phoenix Big Edge Series Fund

Principal occupations: Partner, Stonington Partners, Inc. (private investment firm); Trustee of Phoenix Series Fund, Phoenix Multi-Portfolio Fund, and The Phoenix Big Edge Series Fund; Former Chairman of the Board and Chief Executive Officer, Carson Products Company (manufacturing); Former Director of Phoenix Total Return Fund and Equifax, Inc. (worldwide information management); Former President, Morehouse College; Former Director, Mentor Income Fund, Inc.; Former Trustee, Mentor Funds and Cash Resource Trust.

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**Gerald M. McDonnell**

Trustee  
 DOB: 7/14/1939  
 Term of office since: 1988  
 Other directorships: None

Principal occupations: Sales Manager, SMI STEEL Co. -- South Carolina (steel producer); Former Sales and Marketing Management, Nucor Steel Company; Former Director, Mentor Income Fund, Inc.; Former Trustee, Mentor Funds and Cash Resource Trust.

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**William Walt Pettit**

Trustee  
 DOB: 8/26/1955  
 Term of office since: 1984  
 Other directorships: None

Principal occupations: Partner and Vice President, Kellam & Pettit, P.A. (law firm); Former Director, Mentor Income Fund, Inc.; Former Trustee, Mentor Funds and Cash Resource Trust.

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**David M. Richardson**

Trustee  
 DOB: 9/19/1941  
 Term of office since: 1982

Principal occupations: President, Richardson, Runden & Company (recruitment business development/consulting company); Managing Director, Kennedy Information, Inc. (executive recruitment information and research company); Trustee, NDI Technologies, LLP (communications); Director, J&M Cumming Paper Co. (paper merchandising); Columnist, Commerce and Industry

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Other directorships: None Association of New Jersey; Former Vice Chairman, DHR International, Inc. (executive recruitment); Former Director, Mentor Income Fund, Inc.; Former Trustee, Mentor Funds and Cash Resource Trust.

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**Russell A. Salton III, MD**  
Trustee  
DOB: 6/2/1947  
Term of office since: 1984  
Other directorships: None  
Principal occupations: President/CEO, AccessOne MedCard; Former Medical Director, Healthcare Resource Associates, Inc.; Former Medical Director, U.S. Health Care/Aetna Health Services; Former Director, Mentor Income Fund, Inc.; Former Trustee, Mentor Funds and Cash Resource Trust.

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**Michael S. Scofield**  
Trustee  
DOB: 2/20/1943  
Term of office since: 1984  
Other directorships: None  
Principal occupations: Attorney, Law Offices of Michael S. Scofield; Former Director, Mentor Income Fund, Inc.; Former Trustee, Mentor Funds and Cash Resource Trust.

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### TRUSTEES AND OFFICERS continued

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**Richard J. Shima**  
Trustee  
DOB: 8/11/1939  
Term of office since: 1993  
Other directorships: None  
Principal occupations: Independent Consultant; Director, Trust Company of CT; Trustee, Saint Joseph College (CT); Director of Hartford Hospital, Old State House Association; Trustee, Greater Hartford YMCA; Former Director of Enhance Financial Services, Inc.; Former Director of CTG Resources, Inc. (natural gas); Former Director, Middlesex Mutual Assurance Company; Former Director, Mentor Income Fund, Inc.; Former Trustee, Mentor Funds and Cash Resource Trust.

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**Richard K. Wagoner, CFA<sup>2</sup>**  
Trustee  
DOB: 12/12/1937  
Term of office since: 1999  
Other directorships: None  
Principal occupations: Member and Former President, North Carolina Securities Traders Association; Member, Financial Analysts Society; Former Chief Investment Officer, Executive Vice President and Head of Capital Management Group, First Union National Bank; Former Consultant to the Boards of Trustees of the Evergreen funds; Former Member, New York Stock Exchange; Former Trustee, Mentor Funds and Cash Resource Trust.

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### OFFICERS

**Dennis H. Ferro<sup>3</sup>**  
President  
DOB: 6/20/1945  
Term of office since: 2003  
President and Chief Executive Officer, Evergreen Investment Company, Inc.; President and Chief Investment Officer, Evergreen Investment Management Company, LLC and Executive Vice President, Wachovia Bank, N.A.

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**Carol Kosel<sup>4</sup>**  
Treasurer  
DOB: 12/25/1963  
Senior Vice President, Evergreen Investment Services, Inc. and Treasurer, Vestaur Securities, Inc.

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Term of office since: 1999

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**Michael H. Koonce<sup>4</sup>**

Secretary

DOB: 4/20/1960

Term of office since: 2000

Senior Vice President and General Counsel, Evergreen Investment Services, Inc.; Senior Vice President and Assistant General Counsel, Wachovia Corporation; Former Senior Vice President and General Counsel, Colonial Management Associates, Inc.; Former Vice President and Counsel, Colonial Management Associates, Inc.

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<sup>1</sup> The Board of Trustees is classified into three classes of which one class is elected annually. Each Trustee serves a three year term concurrent with the class from which the Trustee is elected. The address of each Trustee is 200 Berkeley Street, Boston, MA 02116. Each Trustee oversees 101 Evergreen funds.

<sup>2</sup> Mr. Wagoner is an "interested person" of the Fund because of his ownership of shares in Wachovia Corporation, the parent to the Fund's investment advisor.

<sup>3</sup> The address of the Officer is 401 S. Tryon Street, 20th Floor, Charlotte, NC 28288.

<sup>4</sup> The address of the Officer is 200 Berkeley Street, Boston, MA 02116.

Additional information about the Fund's Board of Trustees and Officers can be found in the Statement of Additional Information (SAI) and is available upon request without charge by calling 800.343.2898.

### **Investments that stand the test of time**

Year in and year out, Evergreen Investments seeks to provide each client with sound, time-tested investment strategies designed for sustainable long-term success. With over \$240 billion\* in assets under management, we manage diverse investments from institutional portfolios to mutual funds, variable annuities to retirement plans, alternative investments to private accounts. Our commitment to every one of our clients is reflected in the rigor and discipline with which we manage investments.

We offer a complete family of mutual funds designed to help investors meet a wide range of financial goals. From money market funds that meet short-term needs to international funds that involve greater risk but seek potentially higher returns, Evergreen provides a broad array of flexible investment options. Across all investment styles, we are committed to providing investors with investment excellence day after day, quarter after quarter and year after year.

\*As of October 31, 2003

### **Visit us online at [EvergreenInvestments.com](http://EvergreenInvestments.com)**

Transfer Agent, Registrar, Shareholder Servicing Agent &  
Dividend Disbursing Agent  
EquiServe Trust Company, N.A.

### **Evergreen Investments**

200 Berkeley Street  
Boston, MA 02116-5034

P.O. Box 43010  
Providence, RI 02940-3010  
800.730.6001

Common Stock listed on American Stock Exchange, Symbol ERC.

568263 12/2003

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## Item 2 - Code of Ethics

- (a) The Registrant has adopted a code of ethics that applies to the Registrant's principal executive officer and principal financial officer.
- (b) During the period covered by this report, there were no amendments to the provisions of the code of ethics adopted in 2.(a) above.
- (c) During the period covered by this report, there were no implicit or explicit waivers to the provisions of the code of ethics adopted in 2.(a) above.

## Item 3 - Audit Committee Financial Expert

Charles A. Austin III and K. Dun Gifford have been determined by the Registrant's Board of Trustees to be audit committee financial experts within the meaning of Section 407 of the Sarbanes-Oxley Act. These financial experts are independent of management.

## Items 4 - Principal Accountant Fees and Services

Not applicable at this time. Applicable for annual reports filed for the first fiscal year ending after December 15, 2003.

## Items 5 - Audit Committee of Listed Registrants

If applicable, not applicable at this time. Applicable for annual reports covering periods ending on or after the compliance date for the listing standards applicable to the particular issuer. Listed issuers must be in compliance with the new listing rules by the earlier of the registrant's first annual shareholders meeting after January 15, 2004 or October 31, 2004.

## Item 6 - [Reserved]

Item 7 - Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.

The Registrant has delegated the voting of proxies relating to its voting securities to its investment advisor, Evergreen Investment Management Company, LLC (the "Advisor"). The proxy voting policies and procedures of the Advisor are included as an exhibit hereto.

## Item 8 - [Reserved]

## Item 9 - Controls and Procedures

- (a) The Registrant's Principal Executive Officer and Principal Financial Officer have evaluated the Registrant's disclosure controls and procedures within 90 days of this filing and have concluded that the Registrant's disclosure controls and procedures were effective, as of that date, in ensuring that information required to be disclosed by the Registrant in this Form N-CSR was recorded, processed, summarized, and reported timely.
- (b) There were no significant changes in the Registrant's internal controls or other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

## Item 10 - Exhibits

File the exhibits listed below as part of this Form. Letter or number the exhibits in the sequence indicated.

- (a) Any code of ethics, or amendment thereto, that is the subject of the disclosure required by Item 2, to the extent that the registrant intends to satisfy the Item 2 requirements through filing of an exhibit: Not applicable.
- (b)(1) Separate certifications for the Registrant's principal executive officer and principal financial officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002 and Rule 30a-2(a) under the Investment Company Act of 1940, are attached as EX99.CERT.
- (b)(2) Separate certifications for the Registrant's principal executive officer and principal financial officer, as required by Section 1350 of Title

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18 of United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and Rule 30a-2(b) under the Investment Company Act of 1940, are attached as EX99.906CERT. The certifications furnished pursuant to this paragraph are not deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section. Such certifications are not deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the Registrant specifically incorporates them by reference.

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Evergreen Managed Income Fund

By: \_\_\_\_\_  
Dennis H. Ferro,  
Principal Executive Officer

Date: December 31, 2003

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By: \_\_\_\_\_  
Dennis H. Ferro,  
Principal Executive Officer

Date: December 31, 2003

By: \_\_\_\_\_  
Carol A. Kosel  
Principal Financial Officer  
Date: December 31, 2003

## Proxy Voting Policy and Procedures

Evergreen Investment Management Company, LLC June 16, 2003

### Statement of Principles

Evergreen Investment Management Company, LLC (EIMCO) recognizes it has a fiduciary duty to vote proxies on behalf of clients who have delegated such responsibility to EIMCO, and that in all cases proxies should be voted in a manner reasonably believed to be in the clients' best interest.

### Corporate Governance Committee

EIMCO has established a corporate governance committee (Committee), which is a sub-committee of EIMCO's Investment Policy Committee. The Committee is responsible for approving EIMCO's proxy voting policies and procedures, for overseeing the proxy voting process, and for reviewing proxy voting on a regular basis. The Committee will meet quarterly to review reports of all proxies voted for the prior period and to conduct other business as required.

### Conflicts of Interest

EIMCO recognizes that under certain circumstances it may have a conflict of interest in voting proxies on behalf of its clients. Such circumstances may include, but are not limited to, situations where EIMCO or one or more of its affiliates has a client or customer relationship with the issuer of the security that is the subject of the proxy vote.



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In most cases, structural and informational barriers within EIMCO and Wachovia Corporation will prevent EIMCO from becoming aware of the relationship giving rise to the potential conflict of interest. In such circumstances, EIMCO will vote the proxy according to its standard guidelines and procedures described above.

If persons involved in proxy voting on behalf of EIMCO becomes aware of a potential conflict of interest, the Committee shall consult with EIMCO's Legal Department and consider whether to implement special procedures with respect to the voting of that proxy, including whether an independent third party should be retained to vote the proxy.

### Share Blocking

EIMCO does not vote global proxies, with share blocking restrictions, requiring shares to be prohibited from sale.

### Proxy Voting Guideline Summary

I. The Board of Directors

II. Proxy Contests

III. Auditors

IV. Proxy Contest Defenses

V. Tender Offer Defenses

VI. Miscellaneous Governance Provisions

VII. Capital Structure

VIII. Executive and Director Compensation

IX. State of Incorporation

X. Mergers and Corporate Restructurings

XI. Mutual Fund Proxies

XII. Social and Environmental Issues

### I. The Board of Directors

#### Voting on Director Nominees in Uncontested Elections

Votes on director nominees should be made on a **case-by-case** basis, examining the following factors: composition of the board and key board committees, attendance at board meetings, corporate governance provisions and takeover activity, long-term company performance relative to a market index, directors' investment in the company, whether the chairman is also serving as CEO, and whether a retired CEO sits on the board. However, there are some actions by directors that should result in votes being **withheld**. These instances include directors who:

- Attend less than 75 percent of the board and committee meetings without a valid excuse
- Implement or renew a dead-hand or modified dead-hand poison pill
- Ignore a shareholder proposal that is approved by a majority of the shares outstanding
- Ignore a shareholder proposal that is approved by a majority of the votes cast for two consecutive years
- Have failed to act on takeover offers where the majority of the shareholders have tendered their shares
- Are inside directors and sit on the audit, compensation, or nominating committees
- Are inside directors and the full board serves as the audit, compensation, or nominating committee or the company does not have one of these committees

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In addition, directors who enacted egregious corporate governance policies or failed to replace management as appropriate would be subject to recommendations to **withhold** votes.

### Separating Chairman and CEO

Vote on a **case-by-case** basis on shareholder proposals requiring that the positions of chairman and CEO be held separately.

### Proposals Seeking a Majority of Independent Directors

Shareholder proposals asking that a majority of directors be independent should be evaluated on a case-by-case basis. Vote for shareholder proposals asking that board audit, compensation, and/or nominating committees be composed exclusively of independent directors.

### Stock Ownership Requirements

Vote **against** shareholder proposals requiring directors to own a minimum amount of company stock in order to qualify as a director or to remain on the board.

### Term of Office

Vote against shareholder proposals to limit the tenure of outside directors.

### Age Limits

Vote **against** shareholder proposals to impose a mandatory retirement age for outside directors.

### Director and Officer Indemnification and Liability Protection

Proposals on director and officer indemnification and liability protection should be evaluated on a **case-by-case** basis, using Delaware law as the standard. Vote **against** proposals to eliminate entirely directors' and officers' liability for monetary damages for violating the duty of care. Vote **against** indemnification proposals that would expand coverage beyond just legal expenses to acts, such as negligence, that are more serious violations of fiduciary obligation than mere carelessness. Vote **for** only those proposals providing such expanded coverage in cases when a director's or officer's legal defense was unsuccessful if: (1) the director was found to have acted in good faith and in a manner that he reasonably believed was in the best interests of the company, *and* (2) only if the director's legal expenses would be covered.

### Charitable Contributions

Vote against proposals regarding charitable contributions.

## II. Proxy Contests

### Voting for Director Nominees in Contested Elections

Votes in a contested election of directors must be evaluated on a **case-by-case** basis, considering the following factors: long-term financial performance of the target company relative to its industry; management's track record; background to the proxy contest; qualifications of director nominees (both slates); evaluation of what each side is offering shareholders as well as the likelihood that the proposed objectives and goals can be met; and stock ownership positions.

### Reimburse Proxy Solicitation Expenses

Voting to reimburse proxy solicitation expenses should be analyzed on a **case-by-case** basis. In cases where Evergreen recommends in favor of the dissidents, we also recommend voting **for** reimbursing proxy solicitation expenses.

## III. Auditors

### Ratifying Auditors

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Vote **for** proposals to ratify auditors, unless: an auditor has a financial interest in or association with the company, and is therefore not independent; or there is reason to believe that the independent auditor has rendered an opinion, which is neither accurate nor indicative of the company's financial position.

### **IV. Proxy Contest Defenses**

#### **Board Structure: Staggered vs. Annual Elections**

Vote **against** proposals to classify the board.

Vote **for** proposals to repeal classified boards and to elect all directors annually.

#### **Shareholder Ability to Remove Directors**

Vote **against** proposals that provide that directors may be removed only for cause.

Vote **for** proposals to restore shareholder ability to remove directors with or without cause.

Vote **against** proposals that provide that only continuing directors may elect replacements to fill board vacancies.

Vote **for** proposals that permit shareholders to elect directors to fill board vacancies.

#### **Cumulative Voting**

Vote **against** proposals to eliminate cumulative voting.

Vote proposals to restore or permit cumulative voting on a **case-by-case** basis relative to the company's other governance provisions.

#### **Shareholder Ability to Call Special Meetings**

Vote **against** proposals to restrict or prohibit shareholder ability to call special meetings.

Vote **for** proposals that remove restrictions on the right of shareholders to act independently of management.

#### **Shareholder Ability to Act by Written Consent**

Vote **against** proposals to restrict or prohibit shareholder ability to take action by written consent.

Vote **for** proposals to allow or make easier shareholder action by written consent.

#### **Shareholder Ability to Alter the Size of the Board**

Vote **for** proposals that seek to fix the size of the board.

Vote **against** proposals that give management the ability to alter the size of the board without shareholder approval.

### **V. Tender Offer Defenses**

#### **Poison Pills**

Vote for shareholder proposals that ask a company to submit its poison pill for shareholder ratification.

Review on a **case-by-case** basis shareholder proposals to redeem a company's poison pill.

Review on a **case-by-case** basis management proposals to ratify a poison pill.

### **Fair Price Provisions**

Vote proposals to adopt fair price provisions on a **case-by-case** basis, evaluating factors such as the vote required to approve the proposed acquisition, the vote required to repeal the fair price provision, and the mechanism for determining the fair price.

Generally, vote **against** fair price provisions with shareholder vote requirements greater than a majority of disinterested shares.

### **Greenmail**

Vote **for** proposals to adopt antigreenmail charter or bylaw amendments or otherwise restrict a company's ability to make greenmail payments.

Review on a **case-by-case** basis antigreenmail proposals when they are bundled with other charter or bylaw amendments.

### **Pale Greenmail**

Review on a **case-by-case** basis restructuring plans that involve the payment of pale greenmail.

### **Unequal Voting Rights**

Vote **against** dual-class exchange offers.

Vote **against** dual-class recapitalizations.

### **Supermajority Shareholder Vote Requirement to Amend the Charter or Bylaws**

Vote **against** management proposals to require a supermajority shareholder vote to approve charter and bylaw amendments.

Vote **for** shareholder proposals to lower supermajority shareholder vote requirements for charter and bylaw amendments.

### **Supermajority Shareholder Vote Requirement to Approve Mergers**

Vote **against** management proposals to require a supermajority shareholder vote to approve mergers and other significant business combinations.

Vote **for** shareholder proposals to lower supermajority shareholder vote requirements for mergers and other significant business combinations.

### **White Squire Placements**

Vote **for** shareholder proposals to require approval of blank check preferred stock Issues for other than general corporate purposes.

## **VI. Miscellaneous Governance Provisions**

### **Confidential Voting**

Vote **for** shareholder proposals that request companies to adopt confidential voting, use independent tabulators, and use independent inspectors of election as long as the proposals include clauses for proxy contests as follows: In the case of a contested election, management should be permitted to request that the dissident group honor its confidential voting policy. If the dissidents agree, the policy remains in place. If the dissidents do not agree, the confidential voting policy is waived.

Vote **for** management proposals to adopt confidential voting.

### **Equal Access**

Vote **for** shareholder proposals that would allow significant company shareholders equal access to management's proxy material in order to evaluate and propose voting recommendations on proxy proposals and director nominees, and in order to nominate their own candidates to the board.

### **Bundled Proposals**

Review on a case-by-case basis bundled or "conditioned" proxy proposals. In the case of items that are conditioned upon each other, examine the benefits and costs of the packaged items. In instances when the joint effect of the conditioned items is not in shareholders' best interests, vote against the proposals. If the combined effect is positive, support such proposals.

### **Shareholder Advisory Committees**

Review on a case-by-case basis proposals to establish a shareholder advisory committee.

## **VII. Capital Structure**

### **Common Stock Authorization**

Review proposals to increase the number of shares of common stock authorized for issue on a case-by-case basis.

Vote against proposals to increase the number of authorized shares of the class of stock that has superior voting rights in companies that have dual-class capitalization structures.

### **Stock Distributions: Splits and Dividends**

Vote for management proposals to increase common share authorization for a stock split, provided that the increase in authorized shares would not result in an excessive number of shares available for issuance given a company's industry and performance in terms of shareholder returns.

### **Reverse Stock Splits**

Vote for management proposals to implement a reverse stock split when the number of shares will be proportionately reduced to avoid delisting.

Review on a case-by-case basis on proposals to implement a reverse stock split that do not proportionately reduce the number of shares authorized for Issue.

### **Preferred Stock**

Vote against proposals authorizing the creation of new classes of preferred stock with unspecified voting, conversion, dividend distribution, and other rights ("blank check" preferred stock).

Vote for proposals to create blank check preferred stock in cases when the company expressly states that the stock will not be used as a takeover defense.

Vote for proposals to authorize preferred stock in cases where the company specifies the voting, dividend, conversion, and other rights of such stock and the terms of the preferred stock appear reasonable.

Vote case-by-case on proposals to increase the number of blank check preferred shares after analyzing the number of preferred shares available for Issue given a company's industry and performance in terms of shareholder returns.

### **Shareholder Proposals Regarding Blank Check Preferred Stock**

Vote for shareholder proposals to have blank check preferred stock placements, other than those shares issued for the purpose of raising capital or making acquisitions in the normal course of business, submitted for shareholder ratification.

### **Adjustments to Par Value of Common Stock**

Vote for management proposals to reduce the par value of common stock.

### **Preemptive Rights**

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Review on a case-by-case basis shareholder proposals that seek preemptive rights. In evaluating proposals on preemptive rights, consider the size of a company and the characteristics of its shareholder base.

### Debt Restructurings

Review on a case-by-case basis proposals to increase common and/or preferred shares and to Issue shares as part of a debt restructuring plan. Consider the following Issues: *Dilution* How much will ownership interest of existing shareholders be reduced, and how extreme will dilution to any future earnings be? *Change in Control* Will the transaction result in a change in control of the company? *Bankruptcy* Generally, approve proposals that facilitate debt restructurings unless there are clear signs of self-dealing or other abuses.

### Share Repurchase Programs

Vote for management proposals to institute open-market share repurchase plans in which all shareholders may participate on equal terms.

### Tracking Stock

Votes on the creation of tracking stock are determined on a case-by-case basis, weighing the strategic value of the transaction against such factors as:

- Adverse governance changes
- Excessive increases in authorized capital stock
- Unfair method of distribution
- Diminution of voting rights
- Adverse conversion features
- Negative impact on stock option plans
- Other alternatives such as spinoff

## VIII. Executive and Director Compensation

Votes with respect to compensation plans should be determined on a case-by-case basis. Our new methodology for reviewing compensation plans primarily focuses on the transfer of shareholder wealth (the dollar cost of pay plans to shareholders instead of simply focusing on voting power dilution). Using the expanded compensation data disclosed under the SEC's new rules, Evergreen will value every award type. Evergreen will include in its analyses an estimated dollar cost for the proposed plan and all continuing plans. This cost, dilution to shareholders' equity, will also be expressed as a percentage figure for the transfer of shareholder wealth, and will be considered along with dilution to voting power. Once Evergreen determines the estimated cost of the plan, we compare it to a company-specific dilution cap.

Our model determines a company-specific allowable pool of shareholder wealth that may be transferred from the company to executives, adjusted for (1) long-term corporate performance (on an absolute basis and relative to a standard industry peer group and an appropriate market index), (2) cash compensation, and (3) categorization of the company as emerging, growth, or mature. These adjustments are pegged to market capitalization. Evergreen will continue to examine other features of proposed pay plans such as administration, payment terms, plan duration, and whether the administering committee is permitted to reprice underwater stock options without shareholder approval.

### Management Proposals Seeking Approval to Reprice Options

Vote on management proposals seeking approval to reprice options on a case-by-case basis.

### Director Compensation

Votes on stock-based plans for directors are made on a case-by-case basis.

### Employee Stock Purchase Plans

Votes on employee stock purchase plans should be made on a case-by-case basis.

### OBRA-Related Compensation Proposals:

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- **Amendments that Place a Cap on Annual Grants or Amend Administrative Features**

Vote for plans that simply amend shareholder-approved plans to include administrative features or place a cap on the annual grants any one participant may receive to comply with the provisions of Section 162(m) of OBRA.

- **Amendments to Added Performance-Based Goals**

Vote for amendments to add performance goals to existing compensation plans to comply with the provisions of Section 162(m) of OBRA.

- **Amendments to Increase Shares and Retain Tax Deductions Under OBRA**

Votes on amendments to existing plans to increase shares reserved and to qualify the plan for favorable tax treatment under the provisions of Section 162(m) should be evaluated on a case-by-case basis.

- **Approval of Cash or Cash-and-Stock Bonus Plans**

Vote for cash or cash-and-stock bonus plans to exempt the compensation from taxes under the provisions of Section 162(m) of OBRA.

### **Shareholder Proposals to Limit Executive and Director Pay**

Generally, vote for shareholder proposals that seek additional disclosure of executive and director pay information.

Review on a case-by-case basis all other shareholder proposals that seek to limit executive and director pay.

### **Golden and Tin Parachutes**

Vote for shareholder proposals to have golden and tin parachutes submitted for shareholder ratification.

Review on a case-by-case basis all proposals to ratify or cancel golden or tin parachutes.

### **Employee Stock Ownership Plans (ESOPs)**

Vote for proposals that request shareholder approval in order to implement an ESOP or to increase authorized shares for existing ESOPs, except in cases when the number of shares allocated to the ESOP is "excessive" (i.e., generally greater than five percent of outstanding shares).

### **401(k) Employee Benefit Plans**

Vote for proposals to implement a 401(k) savings plan for employees.

## **IX. State of Incorporation**

### **Voting on State Takeover Statutes**

Review on a case-by-case basis proposals to opt in or out of state takeover statutes (including control share acquisition statutes, control share cash-out statutes, freezeout provisions, fair price provisions, stakeholder laws, poison pill endorsements, severance pay and labor contract provisions, antigreenmail provisions, and disorgement provisions).

## **Voting on Reincorporation Proposals**

Proposals to change a company's state of incorporation should be examined on a case-by-case basis.

## **X. Mergers and Corporate Restructurings**

### **Mergers and Acquisitions**

Votes on mergers and acquisitions should be considered on a case-by-case basis, taking into account at least the following: anticipated financial and operating benefits; offer price (cost vs. premium); prospects of the combined companies; how the deal was negotiated; and changes in corporate governance and their impact on shareholder rights.

### **Corporate Restructuring**

Votes on corporate restructuring proposals, including minority squeezeouts, leveraged buyouts, spinoffs, liquidations, and asset sales should be considered on a case-by-case basis.

### **Spinoffs**

Votes on spinoffs should be considered on a case-by-case basis depending on the tax and regulatory advantages, planned use of sale proceeds, market focus, and managerial incentives.

### **Asset Sales**

Votes on asset sales should be made on a case-by-case basis after considering the impact on the balance sheet/working capital, value received for the asset, and potential elimination of diseconomies.

### **Liquidations**

Votes on liquidations should be made on a case-by-case basis after reviewing management's efforts to pursue other alternatives, appraisal value of assets, and the compensation plan for executives managing the liquidation.

### **Appraisal Rights**

Vote for proposals to restore, or provide shareholders with, rights of appraisal.

### **Changing Corporate Name**

Vote for changing the corporate name.

## **XI. Mutual Fund Proxies**

### **Election of Directors**

Vote the election of directors on a case-by-case basis, considering the following factors: board structure; director independence and qualifications; and compensation of directors within the fund and the family of funds attendance at board and committee meetings.

Votes should be withheld from directors who:

- Attend less than 75 percent of the board and committee meetings without a valid excuse for the absences. Valid reasons include illness or absence due to company business. Participation via telephone is acceptable. In addition, if the director missed only one meeting or one day's meetings, votes should not be withheld even if such absence dropped the director's attendance below 75 percent
- Ignore a shareholder proposal that is approved by a majority of shares outstanding
- Ignore a shareholder proposal that is approved by a majority of the votes cast for two consecutive years
- Are interested directors and sit on the audit or nominating committee



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- Are interested directors and the full board serves as the audit or nominating committee or the company does not have one of these committees

### **Converting Closed-end Fund to Open-end Fund**

Vote conversion proposals on a case-by-case basis, considering the following factors: past performance as a closed-end fund; market in which the fund invests; measures taken by the board to address the discount; and past shareholder activism, board activity, and votes on related proposals.

### **Proxy Contests**

Vote proxy contests on a case-by-case basis, considering the following factors: past performance; market in which fund invests; and measures taken by the board to address the Issues past shareholder activism, board activity, and votes on related proposals.

### **Investment Advisory Agreements**

Vote the investment advisory agreements on a case-by-case basis, considering the following factors: proposed and current fee schedules; fund category/investment objective; performance benchmarks; share price performance as compared with peers; and the magnitude of any fee increase.

### **Approving New Classes or Series of Shares**

Vote for the establishment of new classes or series of shares.

### **Preferred Stock Proposals**

Vote the authorization for or increase in preferred shares on a case-by-case basis, considering the following factors: stated specific financing purpose and other reasons management gives possible dilution for common shares.

### **1940 Act Policies**

Vote these proposals on a case-by-case basis, considering the following factors: potential competitiveness; regulatory developments; current and potential returns; and current and potential risk.

### **Changing a Fundamental Restriction to a Nonfundamental Restriction**

Vote these proposals on a case-by-case basis, considering the following factors: fund's target investments; reasons given by fund for change; and the projected impact of change on portfolio.

### **Change Fundamental Investment Objective to Nonfundamental**

Vote against proposals to change a fund's fundamental investment objective to nonfundamental.

### **Name Rule Proposals**

Vote these proposals on a case-by-case basis, considering the following factors: political/economic changes in target market; bundling with quorum requirements; bundling with asset allocation changes; and consolidation in the fund's target market.

### **Disposition of Assets/Termination/Liquidation**

Vote this proposal on a case-by-case basis, considering the following factors: strategies employed to salvage the company; company's past performance; and terms of the liquidation.

### **Changes to the Charter Document**

Vote changes to the charter document on a case-by-case basis, considering the following factors: degree of change implied by the proposal; efficiencies that could result; state of incorporation; and regulatory standards and implications.

### **Changing the Domicile of a Fund**

Vote reincorporations on a case-by-case basis, considering the following factors: state regulations of both states; required fundamental policies of both states; and the increased flexibility available.

### **Change in Fund's Subclassification**

Vote these proposals on a case-by-case basis, considering the following factors: potential competitiveness; current and potential returns; risk of concentration; and consolidation in the target industry.

### **Authorizing the Board to Hire and Terminate Subadvisors Without Shareholder Approval**

Vote against these proposals.

### **Distribution Agreements**

Vote these proposals on a case-by-case basis, considering the following factors: fees charged to comparably sized funds with similar objectives; proposed distributor's reputation and past performance; and competitiveness of fund in industry.

### **Master-Feeder Structure**

Vote for the establishment of a master-feeder structure.

### **Changes to the Charter Document**

Vote changes to the charter document on a case-by-case basis, considering the following factors: degree of change implied by the proposal; efficiencies that could result; state of incorporation; and regulatory standards and implications.

### **Mergers**

Vote merger proposals on a case-by-case basis, considering the following factors: resulting fee structure; performance of both funds; and continuity of management personnel.

### **Shareholder Proposals**

- **Establish Director Ownership Requirement**

Vote against the establishment of a director ownership requirement.

- **Reimburse Shareholder for Expenses Incurred**

Voting to reimburse proxy solicitation expenses should be analyzed on a case-by-case basis. In cases where Evergreen recommends in favor of the dissidents, we also recommend voting for reimbursing proxy solicitation expenses.

- **Terminate the Investment Advisor**

Vote to terminate the investment advisor on a case-by-case basis, considering the following factors: performance of the fund's NAV and the history of shareholder relations.

## **XII. Social and Environmental Issues**

### **Energy and Environment**

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In most cases, Evergreen refrains from providing a vote recommendation on proposals that request companies to file the CERES Principles.

Generally, vote for disclosure reports that seek additional information, particularly when it appears companies have not adequately addressed shareholders' environmental concerns.

### **South Africa**

In most cases, Evergreen refrains from providing a vote recommendation on proposals pertaining to South Africa.

Generally, vote for disclosure reports that seek additional information such as the amount of business that could be lost by conducting business in South Africa.

### **Northern Ireland**

In most cases, Evergreen refrains from providing a vote recommendation on proposals pertaining to the MacBride Principles.

Generally, vote for disclosure reports that seek additional information about progress being made toward eliminating employment discrimination, particularly when it appears companies have not adequately addressed shareholder concerns.

### **Military Business**

In most cases, Evergreen refrains from providing a vote recommendation on defense Issue proposals.

Generally, vote for disclosure reports that seek additional information on military related operations, particularly when the company has been unresponsive to shareholder requests.

### **Maquiladora Standards and International Operations Policies**

In most cases, Evergreen refrains from providing a vote recommendation on proposals relating to the Maquiladora Standards and international operating policies.

Generally, vote for disclosure reports on these Issues, particularly when it appears companies have not adequately addressed shareholder concerns.

### **World Debt Crisis**

In most cases, Evergreen refrains from providing a vote recommendation on proposals dealing with third world debt.

Generally, vote for disclosure reports on these Issues, particularly when it appears companies have not adequately addressed shareholder concerns.

### **Equal Employment Opportunity and Discrimination**

In most cases, Evergreen refrains from providing a vote recommendation on proposals regarding equal employment opportunities and discrimination.

Generally, vote for disclosure reports that seek additional information about affirmative action efforts, particularly when it appears companies have been unresponsive to shareholder requests.

### **Animal Rights**

In most cases, Evergreen refrains from providing a vote recommendation on proposals that deal with animal rights.

### **Product Integrity and Marketing**

In most cases, Evergreen refrains from providing a vote recommendation on proposals that ask companies to end their production of legal, but socially questionable, products.

Generally, vote for disclosure reports that seek additional information regarding product integrity and marketing Issues, particularly when it appears companies have been unresponsive to shareholder requests.

#### **Human Resources Issues**

In most cases, Evergreen refrains from providing a vote recommendation on proposals regarding human resources Issues.

Generally, vote for disclosure reports that seek additional information regarding human resources Issues, particularly when it appears companies have been unresponsive to shareholder requests.

ion, merger, or sale or conveyance of the property of FS Bancorp, Inc. as an entirety or substantially as an entirety, the holder of each outstanding stock warrant will have the right upon the exercise thereof to the kind and amount of shares of stock and other securities and property, including cash, receivable by a holder of the number of shares of common stock or preferred stock or depositary shares into which such stock warrants were exercisable immediately prior thereto.

#### **DESCRIPTION OF RIGHTS**

This section describes the general terms of the rights to purchase common stock or other securities that we may offer using this prospectus. Further terms of the rights will be stated in the applicable prospectus supplement. The following description and any description of the rights in a prospectus supplement may not be complete and is subject to and qualified in its entirety by reference to the terms of any agreement relating to the rights.

Rights may be issued independently or together with any other security and may or may not be transferable. As part of the rights offering, we may enter into a standby underwriting or other arrangement under which the underwriters or any other person would purchase any securities that are not purchased in such rights offering. The prospectus supplement relating to any rights we offer will describe the specific terms of the offering and the rights, including:

- the record date for determining security holders entitled to the rights distribution;

- the number of rights issued and the number of shares of common stock or other securities that may be purchased upon exercise of the rights;
- the exercise price of the rights;
- the steps required to exercise the rights;
- the date on which the rights will become effective and the date on which the rights will expire;
- whether the rights will include oversubscription rights, so that the holder may purchase more securities if other holders do not purchase their full allotments;
- whether we intend to sell the shares of common stock or other securities that are not purchased in the offering to an underwriter or other purchaser under a contractual standby commitment or other arrangement;
- our ability to withdraw or terminate the rights offering prior to the expiration date of the rights;
- any material U.S. federal income tax consequences.

Prior to the exercise of their rights, holders of rights will not have any of the rights of holders of the securities purchasable upon the exercise of the rights, and will not be entitled to, among other things, vote or receive dividend payments or other distributions on the securities purchasable upon exercise.

#### DESCRIPTION OF UNITS

Units will consist of any combination of one or more of the other securities described in this prospectus. The applicable prospectus supplement or supplements will also describe:

- the designation and the terms of the units and of any combination of the securities constituting the units, including whether and under what circumstances those securities may be held or traded separately;
- any additional terms of the agreement governing the units;
- any additional provisions for the issuance, payment, settlement, transfer or exchange of the units or of the securities constituting the units; and
- whether the units will be issued in fully registered form.

The terms and conditions described under "Description of Debt Securities," "Description of Warrants," and "Description of Common Stock and Preferred Stock" will apply to each unit that includes such securities and to the securities included in each unit, unless otherwise specified in the applicable prospectus supplement.

We will issue the units under one or more unit agreements to be entered into between us and a unit agent. We may issue units in one or more series, which will be described in the applicable prospectus supplement.

#### DESCRIPTION OF GLOBAL SECURITIES

Unless otherwise indicated in the applicable prospectus supplement, we may issue the securities in the form of one or more fully registered global securities that will be deposited with a depository or its nominee identified in the applicable prospectus supplement and registered in the name of that depository or its nominee. In those cases, one or more registered global securities will be issued in a denomination or aggregate denominations equal to the portion of the aggregate principal or face amount of the securities to be represented by registered global securities. Unless and until it is exchanged in whole for securities in definitive registered form, a registered global security may

not be transferred except as a whole by and among the depository for the registered global security, the nominees of the depository or any successors of the depository or those nominees.

If not described below, any specific terms of the depository arrangement with respect to any securities to be represented by a registered global security will be described in the prospectus supplement relating to those securities. We anticipate that the following provisions will apply to all depository arrangements.

Ownership of beneficial interests in a registered global security will be limited to persons, called participants, that have accounts with the depository or persons that may hold interests through participants. Upon the issuance of a registered global security, the depository will credit, on its book-entry registration and transfer system, the participants' accounts with the respective principal or face amounts of the securities beneficially owned by the participants. Any dealers, underwriters or agents participating in the distribution of the securities will designate the accounts to be credited.

Ownership of beneficial interests in a registered global security will be shown on, and the transfer of ownership interests will be effected only through, records maintained by the depository, with respect to interests of participants, and on the records of participants, with respect to interests of persons holding through participants. The laws of some states may require that some purchasers of securities take physical delivery of these securities in definitive form. These laws may impair your ability to own, transfer or pledge beneficial interests in registered global securities. So long as the depository, or its nominee, is the registered owner of a registered global security, that depository or its nominee, as the case may be, will be considered the sole owner or holder of the securities represented by the registered global security for all purposes. Except as described below, owners of beneficial interests in a registered global security will not be entitled to have the securities represented by the registered global security registered in their names, will not receive or be entitled to receive physical delivery of the securities in definitive form and will not be considered the owners or holders of the securities. Accordingly, each person owning a beneficial interest in a registered global security must rely on the procedures of the depository for that registered global security and, if that person is not a participant, on the procedures of the participant through which the person owns its interest, to exercise any rights of a holder under the applicable indenture, warrant agreement or unit agreement. We understand that under existing industry practices, if we request any action of holders or if an owner of a beneficial interest in a registered global security desires to give or take any action that a holder is entitled to give or take, the depository for the registered global security would authorize the participants holding the relevant beneficial interests to give or take that action, and the participants would authorize beneficial owners owning through them to give or take that action or would otherwise act upon the instructions of beneficial owners holding through them.

Payments of principal of, and premium, if any, and interest on, debt securities, and any payments to holders with respect to other securities represented by a registered global security registered in the name of a depository or its nominee will be made to the depository or its nominee, as the case may be, as the registered owner of the registered global security. None of FS Bancorp, Inc., the trustees, the warrant agents, the unit agents or any preferred stock depository, as applicable, will have any responsibility or liability for any aspect of the records relating to or the payments made on account of beneficial ownership interests in the registered global security or for maintaining, supervising or reviewing any records relating to those beneficial ownership interests.

We expect that the depository for any of the securities represented by a registered global security, upon receipt of any payment of principal, premium, interest or other distribution of underlying securities or other property to holders on that registered global security, will immediately credit participants' accounts in amounts proportionate to their respective beneficial interests in that registered global security as shown on the records of the depository. We also expect that payments by participants to owners of beneficial interests in a registered global security held through participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of those participants.

If the depository for any of these securities represented by a registered global security is at any time unwilling or unable to continue as depository or ceases to be a clearing agency registered under the Exchange Act, and a successor depository registered as a clearing agency under the Exchange Act is not appointed by us within

90 days, we will issue securities in definitive form in exchange for the registered global security that had been held by the depository. In addition, under the terms of the indenture for any debt securities, we may at any time and in our sole discretion decide not to have any of such securities represented by one or more registered global securities. We understand, however, that, under current industry practices, the depository would notify its participants of our request, but will only withdraw beneficial interests from a global security at the request of each participant. We would issue definitive certificates in exchange for any such interests withdrawn. Any securities issued in definitive form in exchange for a registered global security will be registered in the name or names that the depository gives to the applicable trustee, warrant agent, unit agent or other relevant agent of ours or theirs. It is expected that the depository's instructions will be based upon directions received by the depository from participants with respect to ownership of beneficial interests in the registered global security that had been held by the depository.

#### PLAN OF DISTRIBUTION

We may sell our securities in any of three ways (or in any combination):

- through underwriters or dealers;
- through agents; or
- directly to purchasers or to a single purchaser.

Each time that we use this prospectus to sell our securities, we will also provide a prospectus supplement that contains the specific terms of the offering. The prospectus supplement will set forth the terms of the offering of such securities, including:

- the name or names of any underwriters, dealers or agents and the type and amounts of securities underwritten or purchased by each of them; and
- the public offering price of the securities and the proceeds to us and any discounts, commissions or concessions allowed or reallocated or paid to dealers.

Any public offering price and any discounts or concessions allowed or reallocated or paid to dealers may be changed from time to time.

If underwriters are used in the sale of any securities, the securities will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. The securities may be either offered to the public through underwriting syndicates represented by managing underwriters, or directly by underwriters. Generally, the underwriters' obligations to purchase the securities will be subject to certain conditions precedent. The underwriters will be obligated to purchase all of the securities if they purchase any of the securities.

We may sell the securities through agents from time to time. The prospectus supplement will name any agent involved in the offer or sale of our securities and any commissions we pay to them. Generally, any agent will be acting on a best efforts basis for the period of its appointment.

We may authorize underwriters, dealers or agents to solicit offers by certain purchasers to purchase our securities at the public offering price set forth in the prospectus supplement pursuant to delayed delivery contracts providing for payment and delivery on a specified date in the future. The contracts will be subject only to those conditions set forth in the prospectus supplement, and the prospectus supplement will set forth any commissions or discounts we pay for solicitation of these contracts.

Agents and underwriters may be entitled to indemnification by us against certain civil liabilities, including liabilities under the Securities Act, or to contribution with respect to payments which the agents or underwriters may be required to make in respect thereof. Agents and underwriters may be customers of, engage in transactions with, or perform services for us in the ordinary course of business.

We may enter into derivative transactions with third parties, or sell securities not covered by this prospectus to third parties in privately negotiated transactions. If the applicable prospectus supplement so indicates in connection with those derivatives, then the third parties may sell securities covered by this prospectus and the applicable prospectus supplement, including in short sale transactions. In that event, the third party may use securities pledged by us or borrowed from us or others to settle those sales or to close out any related open borrowings of stock, and may use securities received from us in settlement of those derivatives to close out any related open borrowings of securities. The third party in such sale transactions will be an underwriter and will be identified in the applicable prospectus supplement (or a post-effective amendment).

#### LEGAL MATTERS

In connection with particular offerings of our securities in the future, and unless otherwise indicated in the applicable prospectus supplement, the validity of the securities offered hereby will be passed upon for us by Breyer & Associates PC, McLean, Virginia. Additional legal matters may be passed on for us, or any underwriters, dealers or agents, by counsel that we will name in the applicable prospectus supplement.

#### EXPERTS

The consolidated financial statements of FS Bancorp, Inc. incorporated in this prospectus by reference from our Annual Report on Form 10-K for the year ended December 31, 2015, have been audited by Moss Adams LLP, an independent registered public accounting firm, as stated in their report, which is incorporated herein by reference. Such consolidated financial statements have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.



## PART II

## INFORMATION NOT REQUIRED IN PROSPECTUS

## Item 14. Other Expenses of Issuance and Distribution.

The following table sets forth the expenses, other than underwriting compensation, expected to be incurred in connection with the registration and sale of the securities covered by this Registration Statement.

SEC registration fee	\$5,795
Blue Sky fees and expenses	*
Rating agency fees	*
Legal fees and expenses	*
Accounting fees and expenses	*
Trustee fees and expenses	*
Printing and engraving fees and expenses	*
Miscellaneous	*
Total	\$*

\* Not presently known.

## Item 15. Indemnification of Directors and Officers

The registrant, FS Bancorp Corporation ("FS Bancorp" or the "Registrant"), is organized under the Washington Business Corporation Act (the "WBCA") which, in general, empowers Washington corporations to indemnify a person made a party to a threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative and whether formal or informal, other than an action by or in the right of the corporation, by reason of the fact that such person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, partner, trustee, employee or agent of another enterprise, against expenses, including attorney's fees, judgments, amounts paid in settlements, penalties and fines actually and reasonably incurred in connection therewith if the person acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the corporation or its shareholders and, with respect to a criminal action or proceeding, if the person had no reasonable cause to believe his or her conduct was unlawful. Washington corporations may not indemnify a person in connection with such proceedings if the person was adjudged to have received an improper personal benefit.

The WBCA also empowers Washington corporations to provide similar indemnity to such a person in connection with actions or suits by or in the right of the corporation if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the interests of the corporation or its shareholders, unless the person was adjudged liable to the corporation.

If authorized by the articles of incorporation of a Washington corporation or by its shareholders, a Washington corporation may indemnify and advance expenses to the persons described above without regard to the limitations described above, provided that such indemnity will not cover acts or omissions of the person finally adjudged to be intentional misconduct or a knowing violation of law, conduct finally adjudged to involve a violation of WBCA Section 310 (related to certain unlawful distributions), and any transaction with respect to which it was finally adjudged that the person received a benefit to which such person was not legally entitled.

The WBCA also permits a Washington corporation to purchase and maintain on behalf of such person insurance against liabilities incurred in such capacities. FS Bancorp has obtained a policy of directors' and officers' liability insurance.

The WBCA further permits Washington corporations to limit the personal liability of directors for a breach of their fiduciary duty. However, the WBCA does not eliminate or limit the liability of a director for any of the following: (i) acts or omissions that involve intentional misconduct by a director or a knowing violation of law by a

director; (ii) conduct violating WBCA Section 310; or (iii) any transaction from which the director will personally receive a benefit in money, property or services to which the director is not legally entitled.

FS Bancorp's Articles of Incorporation and Bylaws

FS Bancorp's articles of incorporation limit the personal liability of directors for a breach of their fiduciary duty except for under the circumstances required to be excepted under Washington law described above.

FS Bancorp's articles of incorporation generally require FS Bancorp to indemnify directors, officers, employees and agents to the fullest extent legally possible under the WBCA. In addition, the articles of incorporation require FS Bancorp to similarly indemnify any such person who is or was serving at the request of FS Bancorp as a director, officer, partner, trustee, employee or agent of another entity. FS Bancorp's articles of incorporation further provide for the advancement of expenses under certain circumstances.

Under a directors' and officers' liability insurance policy, directors and officers of the registrant are insured against certain liabilities.

Item 16. Exhibits

<u>EXHIBIT NO.</u>	<u>DESCRIPTION</u>
1.1	Form of Underwriting Agreement for any offering of securities <sup>(1)</sup>
4.1	Articles of Incorporation of the Registrant (filed as an exhibit to the Registrant's Registration Statement on Form S-1 (333-177125) filed on October 3, 2011, and incorporated by reference)
4.2	Bylaws of the Registrant (filed as an exhibit to the Registrant's Current Report on Form 8-K filed on July 10, 2013 (File No. 001-355589) and incorporated herein by reference)
4.3	Form of Senior Indenture
4.4	Form of Subordinated Indenture
4.5	Form of Senior Debt Securities <sup>(1)</sup>
4.6	Form of Subordinated Debt Securities <sup>(1)</sup>
4.7	Form of Articles Supplementary for Preferred Stock <sup>(1)</sup>
4.8	Form of Deposit Agreement for Depositary Shares <sup>(1)</sup>
4.9	Form of Purchase Contract <sup>(1)</sup>
4.10	Form of Warrant Agreement <sup>(1)</sup>
4.11	Form of Unit Agreement <sup>(1)</sup>
5.1	Opinion of Breyer & Associates PC as to the legality of the securities being registered
23.1	Consent of Breyer & Associates PC (see Exhibit 5.1)
23.2	Consent of Moss Adams LLP
24.1	Power of attorney (set forth on signature page)
25.1	Form T 1 Statement of Eligibility of Trustee under the Senior Indenture <sup>(2)</sup>
25.2	Form T 1 Statement of Eligibility of Trustee under the Subordinated Indenture <sup>(2)</sup>

(1) To be filed as an exhibit to a document to be incorporated by reference in this Registration Statement.

(2) To be incorporated by reference to a filing made in accordance with Section 305(b)(2) of the Trust Indenture Act of 1939, as amended.

(b) Financial Statement Schedules:

Not Applicable.

Item 17. Undertakings.

(a) The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no



more than a 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

provided, however, that the undertakings set forth in paragraphs (1)(i), (1)(ii) and (1)(iii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Commission by the Registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement, or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of the registration statement;

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof;

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering;

(4) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser:

(i) Each prospectus filed by the Registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

(ii) Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5), or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii), or (x) for the purpose of providing the information required by section 10(a) of the Securities Act of 1933 shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date.

(5) That, for the purpose of determining any liability of the Registrant under the Securities Act to any purchaser in the initial distribution of the securities:

The Registrant undertakes that in a primary offering of securities of the Registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the Registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the Registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the Registrant or used or referred to by the Registrant;

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- (iii) The portion of any other free writing prospectus relating to the offering containing material information about the Registrant or its securities provided by or on behalf of the Registrant; and
- (iv) Any other communication that is an offer in the offering made by the Registrant to the purchaser.
- (b) The undersigned Registrant hereby undertakes that, for the purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in this registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof;
- (c) The undersigned Registrant hereby undertakes to supplement the prospectus, after the expiration of any subscription period, to set forth the results of the subscription offer, the transactions by any underwriters during such subscription period, the amount of unsubscribed securities to be purchased by the underwriters, and the terms of any subsequent reoffering thereof. If any public offering by the underwriters is to be made on terms differing from those set forth on the cover page of the prospectus, a post-effective amendment will be filed to set forth the terms of such offering
- (d) The undersigned Registrant hereby undertakes that:
- (i) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.
- (ii) For the purpose of determining of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.
- (e) The undersigned Registrant hereby undertakes to file an application for the purpose of determining the eligibility of the trustee to act under subsection (a) of Section 310 of the Trust Indenture Act in accordance with the rules and regulations prescribed by the Commission under Section 305(b)(2) of the Trust Indenture Act.
- (f) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Mountlake Terrace, State of Washington, on the 30th day of January, 2017.

FS BANCORP, INC.

By: /s/ Joseph C. Adams  
Joseph C. Adams  
Chief Executive Officer  
(Duly Authorized Representative)

POWER OF ATTORNEY

Each person whose signature appears below appoints Joseph C. Adams or Matthew D. Mullet, as his or her true and lawful attorney-in-fact and agent, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement and any Registration Statement (including any amendment thereto) for this offering that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act of 1933, as amended, and to file the same, with all exhibits thereto, and all other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he or she might or would do in person, hereby ratifying and confirming all that said attorney-in fact and agent may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

/s/Joseph C. Adams Joseph C. Adams Chief Executive Officer and Director (Principal Executive Officer)	/s/ Matthew D. Mullet Matthew D. Mullet Chief Financial Officer, Treasurer and Secretary (Principal Financial and Accounting Officer)
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Date: January 30, 2017	Date: January 30, 2017
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/s/Ted A. Leech Ted A. Leech Chairman of the Board of Directors	Margaret R. Piesik Director
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Date: January 30, 2017	Date: _____, 2017
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/s/Judith A. Cochrane Judith A. Cochrane Director	/s/Joseph P. Zavaglia Joseph P. Zavaglia Director
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Date: January 30, 2017

Date: January 30, 2017

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/s/Michael J. Mansfield /s/Marina Cofer-Wildsmith, MA  
Michael J. Mansfield Marina Cofer-Wildsmith, MA  
Director Director

Date: January 30, 2017 Date: January 30, 2017

/s/Mark H. Tueffers  
Mark H. Tueffers  
Director

Date: January 30, 2017  
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EXHIBIT INDEX

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