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MFS GOVERNMENT MARKETS INCOME TRUST
Form PRE 14A
August 24, 2007

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

FILED BY THE REGISTRANT

FILED BY A PARTY OTHER
THAN THE REGISTRANT

CHECK THE APPROPRIATE BOX:

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

MFS Government Markets Income Trust

(Name of Registrant as Specified in its Charter)

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

PAYMENT OF FILING FEE (CHECK THE APPROPRIATE BOX):

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

- 1) Title of each class of securities to which transaction applies:
- 2) Aggregate number of securities to which transaction applies:
- 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):
- 4) Proposed maximum aggregate value of transaction:
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- 1) Amount previously paid:
 - 2) Form, Schedule or Registration Statement No.:
 - 3) Filing Party:
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MFS(R) GOVERNMENT MARKETS INCOME TRUST
500 Boylston Street, Boston, Massachusetts 02116

Notice of the 2007 Annual Meeting of Shareholders
To be held on November 1, 2007

The 2007 Annual Meeting of Shareholders of the above referenced trust (the "Trust") will be held at 500 Boylston Street, Boston, Massachusetts 02116, at 9:30 a.m. on Thursday, November 1, 2007, for the following purposes:

- ITEM 1. To elect Robert J. Manning, Lawrence T. Cohn, M.D., Lawrence T. Perera, and Laurie J. Thomsen as Trustees of the Trust; and
- ITEM 2. To amend the Trust's fundamental investment policy concerning borrowing.
- ITEM 3. To act upon, if properly presented at the Meeting, a shareholder proposal that the Board of Trustees promptly take the steps necessary to open-end the Trust or otherwise enable shareholders to realize net asset value for their shares.
- ITEM 4. To transact such other business as may properly come before the Meeting and any adjournments thereof.

THE TRUSTEES OF YOUR TRUST RECOMMEND THAT YOU VOTE IN FAVOR OF
ITEMS 1 AND 2 AND AGAINST ITEM 3.

Only a Trust's shareholders of record on September 4, 2007 will be entitled to vote at the Trust's Meeting of Shareholders.

By order of the Board of Trustees
SUSAN S. NEWTON
Assistant Secretary and Assistant Clerk

September 14, 2007

YOUR VOTE IS IMPORTANT. WE WOULD APPRECIATE YOUR PROMPTLY VOTING, SIGNING AND RETURNING THE ENCLOSED PROXY SO THAT IT IS RECEIVED BY THE DATE OF THE SPECIAL MEETING OR RECORDING YOUR VOTING INSTRUCTIONS BY TELEPHONE OR VIA THE INTERNET BY 9:29 A.M., EASTERN TIME, ON THE DATE OF THE SPECIAL MEETING, WHICH WILL HELP AVOID THE ADDITIONAL EXPENSE OF A SECOND SOLICITATION FOR YOUR TRUST. THE ENCLOSED ADDRESSED ENVELOPE REQUIRES NO POSTAGE AND IS PROVIDED FOR YOUR CONVENIENCE.

MFS(R) GOVERNMENT MARKETS INCOME TRUST

Proxy Statement

This Proxy Statement is furnished in connection with the solicitation of proxies by and on behalf of the MFS Government Markets Income Trust (the "Trust") to be used at the Meeting of Shareholders of the Trust (the "Meeting") to be held at 9:30 a.m. on November 1, 2007 at 500 Boylston Street, Boston, Massachusetts 02116, for the purposes set forth in the accompanying Notice. Information regarding the members of the Board of Trustees can be found in the section of this Proxy Statement entitled "Election of Trustees." If the enclosed form of proxy is executed and returned, it may nevertheless be revoked prior to its exercise by a signed writing filed with the proxy tabulation agent, Computershare, Inc. "Computershare", 250 Royall Street, Canton, Massachusetts 02021, or delivered at a Meeting. On September 4, 2007, the following number of shares were outstanding for the Trust:

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TRUST	# OF COMMON SHARES OUTSTANDING	# OF PREFERRED SHARES OUTSTANDING
MFS Government Markets Income Trust	TBU	TBU

Shareholders of record at the close of business on September 4, 2007 will be entitled to one vote for each share held, and each fractional share will be entitled to a proportionate fractional vote.

The mailing address of the Trust is 500 Boylston Street, Boston, Massachusetts 02116. Solicitation of proxies is being made by the mailing of this Notice and Proxy Statement with its enclosures on or about September 14, 2007. In addition to soliciting proxies by mail, the Trustees of your Trust and employees of Massachusetts Financial Services Company ("MFS"), the Trust's investment adviser and administrator, may solicit proxies in person or by telephone. The expenses of the preparation of proxy statements and related materials, including printing and delivery costs, are borne by the Trust. The Trust has engaged Computershare and Georgeson, Inc. to provide base shareholder meeting services including the distribution of this Proxy Statement and related materials to shareholders, as well as vote solicitation and tracking. It is anticipated that the cost of these services will be [TBU] and may increase substantially in the event that any vote is contested and increased solicitation efforts are required.

A copy of the Trust's most recent annual report and semi-annual report may be obtained without charge by contacting Computershare, the Trust's transfer and shareholder servicing agent, 250 Royall Street, Canton, Massachusetts 02021, or by telephoning (800) 637-2304.

ITEM 1 -- ELECTION OF TRUSTEES

The Board of Trustees, which oversees the Trust, provides broad supervision over the affairs of the Trust. Those Trustees who are not "interested persons" (as defined in the Investment Company Act of 1940, as amended (the "1940 Act")) of your Trust or of MFS are referred to as "Independent Trustees" throughout this Proxy Statement. MFS is responsible for the investment management of the Trust's assets and for providing a variety of other administrative services to the Trust. The officers of the Trust are responsible for its operations.

The Board has fixed the number of Trustees of the Trust at twelve. Under the provisions of the Trust's Declaration of Trust, the Trustees are divided into three classes, each having a term of three years. The Nomination and Compensation Committee has recommended that the Board nominate for election by shareholders Robert J. Manning, Lawrence T. Cohn, M.D., Lawrence T. Perera, and Laurie J. Thomsen as Trustees of the class whose term will expire at the 2010 Annual Meeting of Shareholders (or special meeting in lieu thereof) of the Trust, and the Board of Trustees has nominated such individuals. Each nominee is presently a Trustee of the Trust and has agreed to serve as a Trustee of the Trust if elected. The Board of Trustees recommends that you vote in favor of their election.

It is intended that proxies not limited to the contrary will be voted in favor of electing Dr. Cohn, Messrs. Manning and Perera and Ms. Thomsen. If, before the Meeting, any nominee refuses or is unable to serve, or if any of the nominees is unavailable at the time of the Meeting, and such refusal or inability to serve or unavailability is not anticipated, the Trustees may vote for other nominees at their discretion, or the Trustees may fix the number of Trustees at fewer than twelve for the Trust. Under the terms of each Trust's retirement policy, the Trustees have a mandatory retirement age of 73 years.

The following table presents certain information regarding the current Trustees

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of the Trust, including their principal occupations, which, unless specific dates are shown, are of more than five years duration, although the titles may not have been the same throughout.

NAME, DATE OF BIRTH	POSITION(S) HELD WITH TRUST	TRUSTEE SINCE(1)	TERM EXPIRING	PRINCIPAL DURING THE OTHER DI
<hr/>				
INTERESTED TRUSTEES				
Robert J. Manning(3); (born 10/20/63)	Trustee	February 2004	2010	Massachusetts Services Com Executive Of Chief Invest Director
<hr/>				
Robert C. Pozen(3) (born 08/08/46)	Trustee	February 2004	2009	Massachusetts Services Com (since Febru Sloan School Senior Lectu Secretary of The Commonwe Massachusetts December 200 Investments, (June 2000 t Fidelity Man Company (inv President (M 2001); Bell (telecommuni Director; Me (medical tec Director; Te communicatio
<hr/>				
INDEPENDENT TRUSTEES				
J. Atwood Ives (born 05/01/36)	Trustee and Chair of Trustees	February 1992	2008	Private inve Enterprises services com Trustee and Officer (unt
<hr/>				
Robert E. Butler(4) (born 11/29/41)	Trustee	January 2006	2009	Consultant - compliance m 2002); Price LLP (profess firm), Partn
<hr/>				
Lawrence H. Cohn, M.D. (born 03/11/37)	Trustee	August 1993	2010	Brigham and Chief of Car (until 2005) School, Prof Surgery; Phy Medical Devi Partners Hea

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David H. Gunning (born 05/30/42)	Trustee	January 2004	2009	Retired; Cle (mining prod provider), V Director (un Portman Limi Director (si Encinitos Ve investment o (1997 to Apr Electric Hol (welding equ manufacturer
William R. Gutow (born 09/27/41)	Trustee	December 1993	2008	Private inve estate consu Entertainmen Company (vid Vice Chairma Tan (tanning Chairman (si
Michael Hegarty (born 12/21/44)	Trustee	December 2004	2008	Retired; AXA (financial s insurance), Chief Operat May 2001); T Assurance So President an Officer (unt
Lawrence T. Perera (born 06/23/35)	Trustee	July 1981	2010	Hemenway & B Partner
J. Dale Sherratt (born 09/23/38)	Trustee	August 1993	2009	Insight Reso (acquisition specialists) Wellfleet In (investor in companies), Partner (sin Cambridge Nu (professiona products), C Officer (unt
Laurie J. Thomsen (born 08/05/57)	Trustee	March 2005	2010	New Profit, philanthropy 2006); Priva Venture Part capital), Co General Part 2004); The T (commercial insurance),
Robert W. Uek (born 05/18/41)	Trustee	January 2006	2008	Retired (sin Pricewaterho (professiona Partner (unt Consultant t company indu

TT Internati
 fund complex
 until 2005);
 Investment T
 (mutual fund
 (2000 until

-
- (1) Date first appointed to serve as Trustee of an MFS fund. Each Trustee has served continuously unless indicated otherwise.
 - (2) Directorships or trusteeships of companies required to report to the Securities and Exchange "public companies").
 - (3) "Interested person" of the Trust within the meaning of the Investment Company Act of 1940 (re 1940 Act), which is the principal federal law governing investment companies like the fund, a position with MFS. The address of MFS is 500 Boylston Street, Boston, Massachusetts 02116.
 - (4) In 2004 and 2005, Mr. Butler provided consulting services to the independent compliance consu MFS pursuant to its settlement with the SEC concerning market timing and related matters. The settlement required that compensation and expenses related to the independent compliance consu exclusively by MFS and, therefore, MFS paid Mr. Butler for the services he rendered to the in compliance consultant. In 2004 and 2005, MFS paid Mr. Butler a total of \$351,119.29.

Each current Trustee listed above served as a board member of 97 funds within the MFS Family of Funds (the "MFS Funds") as of December 31, 2006. The address of each Trustee is c/o MFS, 500 Boylston Street, Boston, Massachusetts 02116.

Information about the Trust, including information about its investment adviser and administrator, independent registered public accounting firm, executive officers, and the interests of certain persons appears under "Trust Information" beginning on page 19.

REQUIRED VOTE. Approval of this matter as to any nominee will require the affirmative vote of a plurality of the Trust's outstanding shares voting at the Meeting in person or by proxy.

THE TRUSTEES OF THE TRUST UNANIMOUSLY RECOMMEND THAT THE SHAREHOLDERS OF THE TRUST VOTE TO ELECT EACH OF THE NOMINEES AS TRUSTEES OF THE TRUST.

COMMITTEES

The Trust's Board of Trustees meets regularly throughout the year to discuss matters and take cer actions relating to the Trust. The Trust's Board has several standing committees, which are described below.

NAME OF COMMITTEE	NUMBER OF MEETINGS IN LAST FISCAL YEAR	FUNCTIONS	CURRENT MEMBER (1)
AUDIT COMMITTEE	9	Oversees the accounting and auditing procedures of the Trust and, among other things, considers the selection of the independent accountants for the Trust and the scope of the audit, and considers the effect on the independence of those accountants of any non-audit	Butler*(2), Gu Sherratt*, Tho and Uek*(2)

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services such accountants provide to the Trust and any audit or non-audit services such accountants provide to other MFS Trusts, MFS and/or certain affiliates. The Committee is also responsible for establishing procedures for the receipt, retention and treatment of complaints received by the Trust regarding accounting, internal accounting controls, or auditing matters and the confidential, anonymous submission of concerns regarding questionable Trust accounting matters by officers of the Trust and employees of the Trust's investment adviser, administrator, principal underwriter or any other provider of accounting-related services to the Trust.

COMPLIANCE AND GOVERNANCE COMMITTEE 8

Oversees the development and implementation of the Trust's regulatory and fiduciary compliance policies, procedures and practices under the 1940 Act and other applicable laws as well as oversight of compliance policies of the Trust's investment adviser and certain other service providers as they relate to Trust activities. The Trust's Independent Chief Compliance Officer, reports directly to the Committee and assists the Committee in carrying out its responsibilities. In addition, the Committee advises and makes recommendations to the Board on matters concerning Trustee practices and recommendations concerning the functions and duties of the committees of the Board.

Butler*, Cohn*
Gunning*, Gutow*
Sherratt*

CONTRACTS REVIEW COMMITTEE 5

Requests, reviews and considers the information deemed reasonably necessary to evaluate the terms of the investment advisory and principal underwriting agreements and the Plan of Distribution under Rule 12b-1 that the Trust proposes to renew or continue, and to make its recommendations to the full Board of Trustees on these matters.

All non-interested Trustees of the Trust (Butler, Cohn, Gutow, Hegarty, Perera, Sherratt, Thomsen and Ue

NOMINATION AND COMPENSATION COMMITTEE 1

Recommends qualified candidates to the Board in the event that a position is vacated or created. The Committee will consider recommendations by shareholders when a vacancy exists. Shareholders wishing to recommend candidates for Trustee for consideration by the Committee may do so by writing to the Trust's Secretary

All non-interested Trustees of the Trust (Butler, Cohn, Gutow, Hegarty, Perera, Sherratt, Thomsen and Ue

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at the principal executive office of the Trust. Such recommendations must be accompanied by biographical and occupational data on the candidate (including whether the candidate would be an "interested person" of the Trust), a written consent of the candidate to be named as a nominee and to serve as Trustee if elected, record and ownership information for the recommending shareholder with respect to the Trust, and a description of any arrangements or understandings regarding recommendation of the candidate for consideration. The Committee is also responsible for making recommendations to the Board regarding any necessary standards or qualifications for service on the Board. The Committee also reviews and makes recommendations to the Board regarding compensation for the non-interested Trustees.

PORTFOLIO TRADING AND
MARKETING REVIEW
COMMITTEE 8

Oversees the policies, procedures, and practices of the Trust with respect to brokerage transactions involving portfolio securities as those policies, procedures, and practices are carried out by MFS and its affiliates. The Committee also oversees the administration of the Trust's proxy voting policies and procedures by MFS. In addition, the Committee receives reports from MFS regarding the policies, procedures, and practices of MFS and its affiliates in connection with their marketing and distribution of shares of the Trust.

Cohn*, Gunning
Hegarty* and P

PRICING COMMITTEE 8

Oversees the determination of the value of the portfolio securities and other assets held by the Trust and determines or causes to be determined the fair value of securities and assets for which market quotations are not "readily available" in accordance with the 1940 Act. The Committee delegates primary responsibility for carrying out these functions to MFS and MFS' internal valuation committee pursuant to pricing policies and procedures approved by the Committee and adopted by the full Board, which include methodologies to be followed by MFS to determine the fair values of portfolio securities and other assets held by the Trust for which market quotations are not readily available. The Committee meets

Hegarty*, Pere
Thomsen* and U

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periodically with the members of MFS' internal valuation committee to review and assess the quality of fair valuation and other pricing determinations made pursuant to the Trust's pricing policies and procedures, and to review and assess the policies and procedures themselves. The Committee also exercises the responsibilities of the Board under the Amortized Cost Valuation Procedures approved by the Board on behalf of each Trust which holds itself out as a "money market fund" in accordance with Rule 2a-7 under the 1940 Act.

SERVICES CONTRACTS 8
COMMITTEE

Reviews and evaluates the contractual arrangements of the Trust relating to transfer agency, administrative services, custody, pricing and bookkeeping services and lending of portfolio securities, and makes recommendations to the full Board of Trustees on these matters.

Gunning*, Sher
Thomsen* and U

- (1) Information about each committee member is set forth above on pages 3, 4 and 5. Although Mr. is not a member of all Committees of the Board, he is invited to and attends many of the Committees' meetings in his capacity as Chair of the Trustees.
- (2) Audit Committee Financial Expert.
* Independent Trustees.

The Trustees generally hold at least nine regular meetings each calendar year. These regular meetings take place over a two-day period. The performance and operations of the Trust is reviewed by the Trustees at each meeting and more in-depth reviews are conducted by the Trustees throughout the year. MFS Government Markets Income Trust held 10 Board meetings during the fiscal year ended November 30, 2006. Each Trustee attended at least 75% of the Board and applicable committee meetings noted for the Trust.

AUDIT COMMITTEE

The Trust's Audit Committee consists only of Independent Trustees and Trustees who are independent of the Trust as defined by New York Stock Exchange Listing Standards. The Trust's Audit Committee's report on the Trust's most recent audited financials is included below under Independent Registered Public Accounting Firm. The Trust's Board has adopted a written charter for the Audit Committee. A copy of the Committee's charter is available on mfs.com.

NOMINATION AND COMPENSATION COMMITTEE

The Trustees have adopted a written charter for the Nomination and Compensation Committee. A copy of the Committee's charter is available on mfs.com.

The Trust's Nomination and Compensation Committee consists only of Independent Trustees and Trustees who are independent of the Trust as defined by New York Stock Exchange Listing Standards.

The Nomination and Compensation Committee requires that Trustee candidates have a college degree or equivalent business experience, but has not otherwise

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established specific, minimum qualifications that must be met by an individual to be considered by the Committee for nomination as a Trustee. The Nomination and Compensation Committee may take into account a wide variety of factors in considering Trustee candidates, including, but not limited to: (i) availability and commitment of a candidate to attend meetings and perform his or her responsibilities to the Board; (ii) relevant industry and related experience; (iii) educational background; (iv) financial expertise; (v) an assessment of the candidate's ability, judgment and expertise; (vi) overall diversity of the composition of the Board; and (vii) such other factors as the Committee deems appropriate. The Nomination and Compensation Committee may consider candidates for Trustee recommended by the Trust's current Trustees, officers or shareholders or by MFS or any other source deemed appropriate by the Nomination and Compensation Committee. The Nomination and Compensation Committee may, but is not required to, retain a third-party search firm at the Trust's expense to identify potential candidates.

The Nomination and Compensation Committee will review and consider nominees recommended by shareholders to serve as Trustee, provided that the recommending shareholder follows the Procedures for Shareholders to Submit Nominee Candidates, which are set forth as Appendix B to the Trust's Nomination and Compensation Committee Charter. Among other requirements, these procedures provide that the recommending shareholder must submit any recommendation in writing to the Trust, to the attention of the Trust's Secretary, at the address of the principal executive offices of the Trust. Any recommendation must include certain biographical information and other information regarding the candidate and the recommending shareholder, and must include a written and signed consent of the candidate to be named as a nominee and to serve as a Trustee if elected. The foregoing description is only a summary.

The Nomination and Compensation Committee has full discretion to reject nominees recommended by shareholders, and there is no assurance that any such person properly recommended and considered by the Committee will be nominated for election to the Board of a Trust.

SHARE OWNERSHIP

As of September 4, 2007, the Trustees and officers of the Trust as a whole owned less than 1% of the outstanding shares of the Trust.

The following table shows the dollar range of equity securities beneficially owned by each nominee or Trustee (a) of the Trust and (b) on an aggregate basis, in all MFS funds overseen by the nominee or Trustee, as of September 4, 2007.

The following dollar ranges apply:

- N. None
- A. \$1 - \$10,000
- B. \$10,001 - \$50,000
- C. \$50,001 - \$100,000
- D. Over \$100,000

NAME OF TRUSTEE	TRUST NAME	AGGREGATE	AGGR
		DOLLAR RANGE OF EQUITY SECURITIES IN THE TRUST	SE AL O TO B T

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INTERESTED TRUSTEES

Robert J. Manning	MFS Government Markets Income Trust	TBU
Robert C. Pozen	MFS Government Markets Income Trust	TBU

INDEPENDENT TRUSTEES

Robert E. Butler	MFS Government Markets Income Trust	TBU
Lawrence H. Cohn, M.D.	MFS Government Markets Income Trust	TBU
David H. Gunning	MFS Government Markets Income Trust	TBU
William R. Gutow	MFS Government Markets Income Trust	TBU
Michael Hegarty	MFS Government Markets Income Trust	TBU
J. Atwood Ives	MFS Government Markets Income Trust	TBU
Lawrence T. Perera	MFS Government Markets Income Trust	TBU
J. Dale Sherratt	MFS Government Markets Income Trust	TBU
Laurie J. Thomsen	MFS Government Markets Income Trust	TBU
Robert W. Uek	MFS Government Markets Income Trust	TBU

SHAREHOLDER COMMUNICATIONS WITH THE BOARD OF TRUSTEES

The Board of Trustees of the Trust has adopted procedures by which shareholders may send communications to the Board. Shareholders may mail written communications to the Board of Trustees, MFS Government Markets Income Trust, c/o Massachusetts Financial Services Company, 500 Boylston Street, Boston, Massachusetts 02116, Attention: Frank Tarantino, Independent Chief Compliance Officer. Shareholder communications must (i) be in writing and be signed by the shareholder, (ii) identify the MFS Trust to which they relate and (iii) identify the class and number of shares held by the shareholder. The Fund's Independent Chief Compliance Officer ("ICCO") is responsible for reviewing all properly submitted shareholder communications. The ICCO shall either (i) provide a copy of each properly submitted shareholder communication to the Board at its next regularly scheduled meeting or (ii) if the ICCO determines that the communication requires more immediate attention, forward the communication to the Chair of the Trustees promptly after receipt. The ICCO may, in good faith, determine that a shareholder communication should not be provided to the Board because it is ministerial in nature (such as a request for Trust literature, share data or financial information). The ICCO may in such cases forward the communication to the appropriate party or parties at MFS. These procedures do not apply to (i) any communication from an officer or Trustee of the Trust, (ii) any communication from an employee or agent of the Trust, unless such communication is made solely in such employee's or agent's capacity as a shareholder or (iii) any shareholder proposal submitted pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, as amended, or any communication made in connection with such a proposal. The Trustees are not required to attend the Trust's shareholder meetings or to otherwise make themselves available to shareholders for communications, other than pursuant to the aforementioned procedures. No Board members attended the 2006 Annual Meeting of Shareholders.

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

TRUSTEE COMPENSATION TABLE

The table below shows the cash compensation paid to the Trustees by the Trust

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for the fiscal year ended November 30, 2006. Interested Trustees receive no compensation from the Trust for their services as Trustees. The table includes information for Ms. Amy B. Lane, who retired as Trustee of the Trust on February 22, 2006.

NAME OF TRUSTEE(1)	TRUSTEE FEES FROM TRUST	RETIREMENT BENEFITS ACCRUED AS PART OF TRUST EXPENSE	TOTAL C COMPENSA FROM TRUS FUND COMPL
Robert E. Butler(4)	\$5,358	N/A	\$210,2
Lawrence H. Cohn, M.D.	\$6,016	\$1,537	\$208,2
David H. Gunning	\$5,820	N/A	\$219,6
William R. Gutow	\$6,016	N/A	\$208,2
Michael Hegarty	\$6,020	N/A	\$209,2
J. Atwood Ives	\$6,335	\$0	\$285,2
Amy B. Lane(3)	\$2,020	N/A	\$ 50,4
Lawrence T. Perera	\$6,079	\$0	\$228,2
J. Dale Sherratt	\$6,158	\$1,390	\$250,2
Laurie J. Thomsen	\$6,020	N/A	\$209,2
Robert W. Uek(4)	\$5,408	N/A	\$227,7

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- (1) Each Trustee who is an "interested person" of MFS within the meaning of the 1940 Act (Pozen and Manning) serves without any compensation from the Trust.
 - (2) For calendar year 2006. Trustees receiving compensation from the Trust served as Trustee of 9 funds within the MFS Fund Complex (having aggregate net assets at December 31, 2006 of approximately \$102 billion).
 - (3) Ms. Lane retired as a Trustee of the Trust on February 22, 2006.
 - (4) Messrs. Butler and Uek became Trustees of the Trust on January 1, 2006.

RETIREMENT BENEFIT DEFERRAL PLAN -- Under a Retirement Benefit Deferral Plan, certain Trustees have deferred benefits from a prior retirement plan. The value of the benefits is periodically readjusted as though the Trustee had invested an equivalent amount in Class A shares of other fund(s) designated by such Trustee. The value of the deferred benefits will be paid to the Trustees upon retirement or thereafter. The plan does not obligate a Fund to retain the services of any Trustee or pay any particular level of compensation to any Trustee. The plan is not funded and a Fund's obligation to pay the Trustee's deferred compensation is a general unsecured obligation.

ITEM 2 -- PROPOSAL TO AMEND THE TRUST'S FUNDAMENTAL INVESTMENT POLICY CONCERNING BORROWING

The Board has approved and recommends that shareholders of the Fund approve an amendment to the Fund's borrowing policy.

Under the 1940 Act, a closed-end Trust is generally permitted to borrow up to 33 1/3% of its assets.

More specifically, under the 1940 Act, a closed-end fund such as the Trust is permitted to have outstanding senior securities representing indebtedness ("borrowings") if immediately after the financing giving rise to the borrowing, the value of the Trust's total assets less liabilities (other than such borrowings) is at least 300% of the principal amount of such borrowing (i.e., the principal amount may not exceed 33 1/3% of the trust's total assets). In addition, a closed-end trust is permitted to declare any cash dividend or other distribution on its common shares if, at the time of such declaration, the

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value of the trust's total assets, less liabilities other than borrowings, is at least 300% of such principal amount. The Trust's current borrowing policy is more restrictive than is permitted under the 1940 Act, and allows the Trust to borrow only as a temporary measure for extraordinary or emergency purposes or for a repurchase of its shares and in no event in excess of 33 1/3% of its assets.

MFS believes that it is appropriate for the Trust to be able to incur indebtedness for investment purposes. A change to the Trust's investment policy concerning borrowing requires the approval of shareholders. As proposed, the new policy would allow the Trust to strategically incur indebtedness of up to 33 1/3% of its assets at short-term rates and invest the proceeds in obligations that pay longer-term rates. Such borrowing would occur when short-term rates are lower than long-term rates to provide the Trust with the potential to earn the difference between the long-term rates earned on investments and the short-term rates paid on the borrowing. MFS expects that this can increase the investment performance of the Trust. However, leveraging is a speculative technique and there are special risks involved. The borrowing will generally increase the volatility of the Trust's net asset value and possibly the market price of its shares. For example, if the Trust borrows money to purchase securities and the Trust's investments decrease in value, the Trust's losses will be greater than if the Trust did not borrow money for investment purposes. In addition, if the return on an investment purchased with borrowed funds is not sufficient to cover the cost of borrowing, then the net income of the Trust will be less than if borrowing were not used. However MFS believes that the potential benefit for enhanced performance and its possible positive affect on the market price of the Trust's shares outweighs these risks.

Under the Trust's management agreement, MFS is entitled to an annual management fee of 0.32% of average net assets and 5.33% of gross income. MFS has agreed to a voluntary limit on the total annual management fee to 0.85%. This limit can be changed only with approval of the Trustees. If the proposal is approved by shareholders, the Trust expects to use bank debt to effect the borrowing, and MFS would not be paid the 0.32% asset-based portion of the management fee with respect to the assets acquired through the borrowing. MFS will, however, be entitled to be paid 5.33% of the gross income earned from the assets obtained through leverage. Accordingly, MFS has some financial incentive for the Trust to utilize borrowings as described because it may receive additional management fees with respect to the portion of the fee based on gross income, up to the total 0.85% management fee limit noted above.

The Trust's current fundamental investment policy with respect to borrowing states:

The Trust may not "borrow money, except as a temporary measure for extraordinary or emergency purposes or for a repurchase of its shares and in no event in excess of 33 1/3% of its assets."

The proposed fundamental investment policy with respect to borrowing that you are asked to approve states:

The Trust may not "borrow money [or issue any senior security] except to the extent permitted by the Investment Company Act of 1940, as amended, and the rules and regulations thereunder (the "1940 Act") or exemptive orders granted under such Act, or otherwise permitted from time to time by regulatory authority having jurisdiction."

The Trust's investment objective and other fundamental investment policies will not be affected by the proposed changes.

REQUIRED VOTE: Approval of this matter will require the vote of (i) 67% or more

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of the outstanding voting securities of the Trust present at the Meeting, if the holders of more than 50% of the outstanding voting securities of the Trust are present or represented by proxy or (ii) more than 50% of the outstanding voting securities of the Trust, whichever is less.

THE TRUSTEES OF THE TRUST RECOMMEND THAT THE SHAREHOLDERS OF THE TRUST VOTE TO APPROVE THIS PROPOSAL.

ITEM 3 -- SHAREHOLDER PROPOSAL

The Board of Trustees has been informed by Bulldog Investors ("Bulldog"), a shareholder of record owning [] shares of the Trust as of September 4, 2007, that it intends to submit the following proposal at the meeting.

RESOLVED: The shareholders of MFS Government Markets Income Trust (the "Trust") request that the Board of Trustees promptly take the steps necessary to open end the Trust or otherwise enable shareholders to realize net asset value ("NAV") for their shares.

Bulldog's proposal will be submitted at the Meeting as Proposal 3. Bulldog has requested that the following statement be included in the proxy statement in support of its Proposal 3.

SUPPORTING STATEMENT

Shares of the Trust have traded at a discount to NAV continuously for almost 15 years. For example, on March 5, 2007 a shareholder that wished to sell his or her shares would have only received \$6.60 per share and not the NAV of \$7.25.

After fifteen years of discounts, we believe shareholders deserve an opportunity to realize NAV. Open-ending the Trust would allow all shareholders to obtain a higher price for their shares whenever they decide to sell. We think the time is right to permanently eliminate the Trust's discount to NAV. If you agree, please vote in favor of this proposal.

* * *

AS DETAILED IN THE FOLLOWING STATEMENT OF OPPOSITION TO PROPOSAL 3, THE BOARD, INCLUDING THE INDEPENDENT TRUSTEES, HAS CONCLUDED THAT PROPOSAL 3 IS NOT IN THE BEST INTERESTS OF THE SHAREHOLDERS AND UNANIMOUSLY RECOMMENDS THAT YOU VOTE "AGAINST" PROPOSAL 3.

BOARD OF TRUSTEES' STATEMENT IN OPPOSITION TO THE PROPOSAL OF BULLDOG INVESTORS
Bulldog Investors' proposal seeks a fundamental change in the structure of the Trust, asking you to approve a resolution to convert the Trust from a closed-end structure to an open-end structure. The supporting statement portrays such a conversion as a straightforward, uncontroversial action designed to allow all shareholders to receive the full net asset value whenever they decide to redeem their shares. It does not discuss, however, the potential negative consequences of abandoning the closed-end structure or explain that changing a core characteristic of the Trust is contrary to the interests of shareholders who chose a closed-end fund and wish to remain in the Trust. Your Board has given consideration to the proposal and firmly believes that it is not in the best interests of the Trust's shareholders. After careful consideration of several options to address the Trust's market price discount to NAV, your Board has recently taken actions that it believes are superior alternatives to Bulldog's proposal. Specifically, the Board has recently approved the adoption of a level-distribution plan pursuant to which the Trust will make monthly distributions at a minimum annual rate of 7.25% (based on average monthly net asset value), has recommended approval of a proposal to use leverage as a means to potentially increase the Trust's yield, and has authorized a change in the Trust's investment strategy to allow investment in higher yielding securities. Given the potential consequences of conversion to an open-end structure, and the recent actions taken to address the Trust's discount, your Board recommends

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that you oppose Bulldog's proposal.

Your Board Has Already Taken Actions To Address the Trust's Discount.

Since the time Bulldog submitted its proposal, the Board has taken actions to address the Trust's market discount to NAV. In July 2007, the Board authorized the adoption of a level distribution plan pursuant to which MGF will, beginning on September 1, 2007, make monthly distributions at a minimum annual rate of 7.25%. Fund management has advised the Board that this plan, upon implementation, may have the effect of narrowing or eliminating the Trust's discount. Similar plans have been used by other trusts to address discounts. As set forth elsewhere in this proxy statement, the Board has also recommended approval of a proposal to allow the use of leverage in the management of Trust assets (see Proposal 2) and, in April 2007, approved a change in the Trust's investment strategy to permit the Trust to invest in higher yielding securities. The Board believes that both of these additional measures may increase the Trust's yield and result in a narrowing of the discount. In light of these recent actions, which the Board believes are responsive to the Bulldog proposal, the Board does not believe that it makes sense to take the further dramatic step of open-ending the Trust, given the many potential negative consequences of doing so.

Key Differences Between Open-End and Closed-End Trusts.

Conversion of the Trust from a closed-end structure to an open-end structure is not a minor change. It is a change to a core characteristic of the Trust as an investment. A closed-end trust is different from an open-end trust in meaningful ways, and investors often choose a closed-end trust for the very characteristics that distinguish it from an open-end trust.

Unlike an open-end trust, a closed-end trust has a fixed number of shares that trade on an exchange, such as the New York Stock Exchange. By contrast, an open-end trust does not trade on an exchange and has a constantly changing number of shares, because it typically sells new shares continuously and is required to "redeem" shares when investors choose to leave the trust. When an investor redeems a share of an open-end trust, the trust typically pays that investor cash. Thus, while the managers of a closed-end trust can count on a fairly constant asset base, managers of an open-end trust must grapple with the constant inflow and outflow of investors in the trust, typically leaving a certain portion of trust assets uninvested (i.e., in cash or cash-equivalents) to accommodate redemptions.

Managers of a closed-end trust, on the other hand, are free to keep trust assets more fully invested, because they need not worry about redemptions. In the case of a fixed-income closed-end trust, such as the Trust, that means that the managers are free to invest more trust assets in fixed-income securities that will generate income for shareholders. In addition, closed-end trusts are not encumbered by certain SEC rules that limit the ability of open-end trusts to invest in potentially attractive illiquid securities, again because open-end trusts must stand ready to pay for redemptions. Trust management has advised the Board that conversion of the Trust to an open-end structure would deprive the Trust's managers of the ability to fully invest in income-generating securities, to the detriment of Trust shareholders.

Conversion to an Open-End Structure Would Effectively Increase Fund Expenses.

Bulldog's supporting statement does not discuss the effect that open-ending the Trust would have on the Trust's expenses. Experience has shown that, where proposals such as Bulldog's proposal are acted upon, some investors - often professional fund arbitrageurs and certain hedge funds - redeem their shares immediately, reducing fund assets (sometimes substantially). Although those redeeming shareholders would likely turn a quick profit, their short-term

strategy would be at the expense of long-term shareholders who wish to remain in the Trust. Significant redemptions by some large shareholders with a short-term future investment horizon would reduce the number of shares over which fixed costs of the Trust are spread and thereby would increase the portion of expenses the remaining, long-term shareholders must bear.

Your Trust's management estimates that, if investors holding 25% of the Trust redeem their shares upon open-ending, your annual expense ratio would rise by about 3 basis points. If 50% of the shares are redeemed, management estimates your annual expense ratio would rise about 10 basis points. In some cases, redemptions by some large, short-term shareholders after open-ending reduce trust assets so greatly that the economies of the pooled investment are lost, leaving the remaining shareholders little choice but to liquidate the trust entirely or bear an increased share of fixed costs.

Conversion to an open-end trust would also involve a number of additional expenses for your Trust, including the one-time legal, accounting and mailing costs to obtain shareholder approval and, on an ongoing basis, shareholder servicing costs, transfer agency fees to accommodate daily sales and redemptions, the cost to register shares and maintain a current prospectus for an ongoing distribution, as well as initial and ongoing state filing fees. As an open-end trust, your Trust would also have to consider a means to pay brokers for the ongoing distribution of new shares, possibly through a Rule 12b-1 fee. Rule 12b-1 fees are typical features of open-end trusts. As an open-end trust, the Trust may also impose a sales "load" that would apply to new purchases of certain share classes of the Trust.

Conversion to an Open-End Structure May Negatively Impact Returns and Portfolio Management.

Conversion to an open-end trust could potentially dilute your investment returns. Imagine, for example, that the Trust as an open-end fund held a portfolio of securities with an overall yield (after expenses) of 5%, and market yields fall below 5%. Investor money might flow into the Trust, because investors want to take advantage of the higher yield available in the Trust. To put this new money to work, the Trust would be forced to buy instruments reflecting the lower yield then prevalent in the market, diluting the return for all investors. This phenomenon, common in open-end bond trusts, does not generally impact closed-end trusts, because closed-end trusts do not continuously offer their shares and therefore do not take in significant flows of new money.

The Trust's investment program could also be constrained by conversion to an open-end structure. With potential large redemptions on the horizon, the portfolio manager would need to raise cash to fund redemptions, which may require significant restructuring of the portfolio and the sale of investments that might not otherwise be sold at that time, possibly at unfavorable prices, and with significant transaction costs. This, combined with the likely need to maintain a portion of the portfolio in cash to handle redemptions as they arise, could negatively impact the return for long-term Trust shareholders. Depending on the portfolio makeup at the time, large redemptions could also force the Trust to realize any unrealized capital gains with resulting unfavorable tax consequences to some shareholders.

Open-ending could adversely affect the Trust in other ways as well. As discussed above, experience suggests that there are more redemptions in open-end trusts near market bottoms, which often are good times to invest and not good times to sell portfolio securities at depressed prices. Conversely, new money tends to be invested in open-end trusts near market peaks, which are generally not good times for trusts to invest. These factors have a tendency to increase investment volatility. Closed-end trusts, like the Trust, on the other hand, are able to maintain their investment strategy during these peaks and

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troughs without their portfolio managers being forced to invest new money or liquidate portfolio holdings at times when sound investment practice could dictate otherwise and without generating unnecessary portfolio turnover and transaction costs.

Conversion Could Result in Lost Opportunities to Benefit from Leverage.

Because of restrictions that the Investment Company Act places on leveraging by open-end trusts, conversion to an open-end structure would significantly jeopardize management's efforts to seek increased investment return through leverage (see Proposal 2), as detailed elsewhere in this proxy statement. The leverage proposal, which your Board has recommended that you approve, represents an effort to increase investment return, reduce the discount and maintain the closed-end trust structure in which you invested.

In sum, your Board recommends you vote against the Bulldog proposal because it seeks a fundamental change in the Trust that would deprive shareholders of the benefit of the closed-end structure, potentially increase the Trust's total expense ratio, result in new fees associated with open-end trusts, constrain the Trust managers' investment discretion, potentially dilute or decrease your investment returns, interfere with portfolio management and deprive the Trust of the full benefit of the proposal to use leverage to potentially increase yield. Moreover, since Bulldog submitted its proposal, your Board has taken substantial actions in an effort to narrow or eliminate the Trust's discount.

REQUIRED VOTE: Approval of this matter will require the vote of a majority of the outstanding voting securities of the Trust.

THE TRUSTEES OF THE TRUST RECOMMEND THAT THE SHAREHOLDERS OF THE TRUST VOTE AGAINST THIS PROPOSAL.

TRUST INFORMATION

This section provides certain information about the Trust, including information about its investment adviser and administrator, independent registered public accounting firm, executive officers and the identity of persons holding more than 5% of the outstanding shares of any class of the Trust.

INVESTMENT ADVISER AND ADMINISTRATOR

The Trust engages as its investment adviser and administrator MFS, a Delaware corporation with offices at 500 Boylston Street, Boston, Massachusetts 02116. MFS is a majority owned subsidiary of Sun Life of Canada (U.S.) Financial Services Holdings, Inc., which in turn is a majority-owned subsidiary of Sun Life Financial (U.S.) Holdings, Inc., 500 Boylston Street, Boston, Massachusetts 02116, which in turn is a wholly-owned subsidiary of Sun Life Assurance Company of Canada--U.S. Operations Holdings, Inc., One Sun Life Executive Park, Wellesley Hills, Massachusetts 02481 ("Sun Life U.S. Operations"). Sun Life U.S. Operations is a wholly-owned subsidiary of Sun Life Financial Corp., 150 King Street West, Toronto, Canada MSH 1J9, which in turn is a wholly-owned subsidiary of Sun Life Financial Inc.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Independent Registered Public Accounting Firm and fiscal year end for the Trust is listed below:

TRUST	INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	FISCAL YEAR END
MFS Government Markets Income Trust	Deloitte & Touche LLP ("Deloitte")	November 30

The Independent Registered Public Accounting Firm has no direct or material

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indirect interest in the Trust.

Representatives of the Independent Registered Public Accounting Firm are expected to be present at the Meeting and will have an opportunity to make a statement if they desire to do so. Such representatives also are expected to be available to respond to appropriate questions.

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

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

Based on this review and the review of other information and these and other discussions, the Audit Committee recommended to the Board of Trustees that the audited financial statements be included in the Trust's annual report to shareholders for the Trust's 2006 fiscal year for filing with the Securities and Exchange Commission.

Respectfully submitted for MFS Government Markets Income Trust by the Audit Committee as of December 14, 2006.

Robert E. Butler
J. Atwood Ives
J. Dale Sherratt
Laurie J. Thomsen
Robert W. Uek

To the extent required by applicable regulations, pre-approval by the Audit Committee of the Board is needed for all audit and permissible non-audit services rendered by the Independent Registered Public Accounting Firm to the Trust and all permissible non-audit services rendered by the Independent Registered Public Accounting Firm to MFS and any entity controlling, controlled by or under common control with MFS that provides ongoing services to the Trust (including MFS Service Center, Inc.) (each, a "Service Affiliate") if the services relate directly to the operations and financial reporting of the Trust. Pre-approval is currently on an engagement-by- engagement basis. In the event pre-approval of such services is necessary between regular meetings of the Audit Committee and it is not practical to wait to seek pre-approval at the next regular meeting of the Audit Committee, pre-approval of such services may be referred to the Chair of the Audit Committee; provided that the Chair may not pre-approve any individual engagement for such services exceeding \$50,000 or multiple engagements for such services in the aggregate exceeding \$100,000 between such regular meetings of the Audit Committee. Any engagement pre-approved by the Chair between regular meetings of the Audit Committee shall be presented for ratification by the entire Audit Committee at its next regularly scheduled meeting.

Schedule A attached hereto includes tables that set forth for the Trust's two most recent fiscal years, the fees billed by the Trust's Independent Registered Public Accounting Firm for (a) all audit and non-audit services provided directly to the Trust and (b) those non-audit services provided to the Trust's Service Affiliates that relate directly to the Trust's operations and financial reporting under the following captions:

- (i) Audit Fees - fees related to the audit and review of the financial

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statements included in annual reports and registration statements, and other services that are normally provided in connection with statutory and regulatory filings or engagements.

- (ii) Audit-Related Fees - fees related to assurance and related services that are reasonably related to the performance of the audit or review of financial statements, but not reported under "Audit Fees", including accounting consultations, agreed-upon procedure reports (inclusive of annual review of basic maintenance testing associated with the Preferred Shares), attestation reports, comfort letters and internal control reviews.
- (iii) Tax Fees - fees associated with tax compliance, tax advice and tax planning, including services relating to the filing or amendment of federal, state or local income tax returns, regulated investment company qualification reviews and tax distribution and analysis reviews.
- (iv) All Other Fees - fees for products and services provided to the Trust by the Independent Registered Public Accounting Firm other than those reported under "Audit Fees", "Audit- Related Fees" and "Tax Fees."

Schedule A attached hereto also sets forth the aggregate fees billed by the Independent Registered Public Accounting Firm for the Trust's two most recent fiscal years for non-audit services rendered to the Trust and the Trust's Service Affiliates.

The Audit Committee has considered whether the provision by the Trust's Independent Registered Public Accounting Firm of non-audit services to the Trust's Service Affiliates that were not pre-approved by the Audit Committee (because such services did not relate directly to the operations and financial reporting of the Trust) was compatible with maintaining the independence of the Independent Registered Public Accounting Firm as the Trust's principal auditor.

EXECUTIVE OFFICERS

The following table provides information about the current executive officers of the Trust including their principal occupations, which, unless specific dates are shown, are of more than five years duration, although the titles may not have been the same throughout. Each officer will hold office until his or her successor is chosen and qualified, or until he or she retires, resigns or is removed from office.

NAME, DATE OF BIRTH	POSITION(S) HELD WITH TRUST	OFFICER SINCE (1)	PRINCIPAL OCCUPATION DURING THE PAST FIVE YEARS & DIRECTORSHIP
OFFICERS			
Maria F. Dwyer (3) (born 12/1/58)	President	November 2005	Massachusetts Financial Company, Executive Vice President, Chief Regulatory Officer (2004) and Chief Compliance Officer (since November 2006); Massachusetts Financial Company, Chief Management & Research Officer (2004-2005); Massachusetts Financial Company, President (prior to March 2004); Fidelity Group of Funds, Treasurer (prior to March 2004)
Tracy Atkinson (3)	Treasurer	September 2005	Massachusetts Financial Company, Treasurer (2005-2006)

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(born 12/30/64)			Company, Senior Vice President (September 2004); PricewaterhouseCoopers (prior to September 2004)
Christopher R. Bohane(3) (born 01/18/74)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Company, Vice President Counsel (since April 2005); Kirkpatrick & Lockhart (prior to April 2005)
Ethan D. Corey(3) (born 11/21/63)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Company, Special Counsel (December 2004); Dechert (law firm), Counsel (prior to December 2004)
David L. DiLorenzo(3) (born 08/10/68)	Assistant Treasurer	July 2005	Massachusetts Financial Company, Vice President (July 2005); JP Morgan Investment Bank, Vice President (prior to July 2005)
Mark D. Fischer(3) (born 10/27/70)	Assistant Treasurer	July 2005	Massachusetts Financial Company, Vice President (July 2005); JP Morgan Investment Bank, Vice President (prior to July 2005)
Brian E. Langenfeld(3) (born 03/7/73)	Assistant Secretary and Assistant Clerk	May 2006	Massachusetts Financial Company, Vice President (May 2006); John Hancock Advisors, Assistant, Vice President (May 2005 to April 2006); John Hancock Advisors, LLC, Attorney (prior to May 2005)
Ellen Moynihan(3) (born 11/13/57)	Assistant Treasurer	April 1997	Massachusetts Financial Company, Senior Vice President (April 1997 to present)
Susan S. Newton(3) (born 03/7/50)	Assistant Secretary and Assistant Clerk	May 2005	Massachusetts Financial Company, Senior Vice President (May 2005 to present); John Hancock Advisors, Associate General Counsel (prior to May 2005); John Hancock Advisors, Senior Vice President, Chief Legal Officer (prior to May 2005); John Hancock Grocers, Senior Vice President, Chief Legal Officer (prior to May 2005)
Susan A. Pereira(3) (born 11/5/70)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Company, Vice President Counsel (since June 2005); McCutchen LLP (law firm) (prior to June 2004)
Mark N. Polebaum(3) (born 05/01/52)	Secretary and Clerk	January 2006	Massachusetts Financial Company, Executive Vice President, General Counsel and Secretary (January 2006 to present); Wilmer Cutler Pickering Hale and Dorr LLP (law firm) (prior to January 2006)

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Frank L. Tarantino (born 03/07/44)	Independent Chief Compliance Officer	June 2004	Tarantino LLC (provider services), Principal (s 2004); CRA Business Str (consulting services), President (April 2003 t David L. Babson & Co. (r adviser), Managing Dire Administrative Officer (prior to March 2003)
James O. Yost (3) (born 06/12/60)	Assistant Treasurer	September 1990	Massachusetts Financial Company, Senior Vice Pr

- (1) Date first appointed to serve as officer of an MFS fund.
- (2) Directorships or trusteeships of companies required to report to the Securities and Exchange (i.e., "public companies").
- (3) "Interested person" of the Trust within the meaning of the 1940 Act, as a result of position address of MFS is 500 Boylston Street, Boston, Massachusetts 02116.

The Trust's officers held comparable positions with the 97 funds in the MFS Family of Funds, and with certain affiliates of MFS as of December 31, 2006. The address of each officer is MFS, 500 Boylston Street, Boston, Massachusetts 02116.

INTERESTS OF CERTAIN PERSONS

Schedule B attached hereto sets forth, as of September 4, 2007, to the best knowledge of the Trust, the shareholders who beneficially owned more than 5% of the outstanding shares of any class of the Trust.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

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

Based solely on a review of the copies of Forms 3, 4 and 5 and amendments thereto furnished to the Trust with respect to its most recent fiscal year for Trustees, directors and certain officers of the Trust and MFS and greater than ten percent beneficial owners, the Trust believes all Section 16(a) filing requirements were made on a timely basis, except for the following filings: Peter Vaream (Former Portfolio Manager) made a Form 3 (Initial Statement of Beneficial Ownership) filing on January 11, 2006; Joseph C. Flaherty, Jr. (Former Portfolio Manager) made a Form 3 filing on December 5, 2005; Elaine R. Smith (Former Trustee) made a Form 4 (Statement of Changes of Beneficial Ownership) filing on December 14, 2005. To the extent that any Form 3, 3A and 4 filings were not made on a timely basis, certain Form 5 (Annual Statement of Changes of Beneficial Ownership) filings were not filed on a timely basis as well.

LITIGATION

Since December 2003, MFS, MFS Fund Distributors, Inc., MFS Service Center, Inc., MFS Corporation Retirement Committee, Sun Life Financial Inc., various MFS funds, certain current and/or former Trustees of the MFS funds, and certain officers of MFS have been named as defendants in multiple lawsuits filed in federal and state courts. The various lawsuits generally allege that some or all of the defendants (i) permitted or acquiesced in market timing and/or late trading in some of the MFS funds, and inadequately disclosed MFS; internal

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policies concerning market timing and such matters, (ii) received excessive compensation as fiduciaries with respect to the MFS funds, or (iii) permitted or acquiesced in the improper use of fund assets by MFS to support the distribution of MFS fund shares and inadequately disclosed MFS' use of the fund assets in this matter. The lawsuits assert that some or all of the defendants violated the federal securities laws, including the Securities Act of 1933 and the Securities Exchange Act of 1934, the Investment Company Act of 1940 and the Investment Advisers Act of 1940, the Employee Retirement Income Security Act of 1974 (ERISA), as well as fiduciary duties and other violations of common law. The lawsuits variously have been commenced as class actions or individual actions on behalf of investors who purchased, held or redeemed shares of the MFS funds during specified periods, as ERISA actions by participants in certain retirement plan accounts on behalf of those accounts, or as derivative actions on behalf of the MFS funds.

The lawsuits relating to market timing and related matters have been transferred to, and consolidated before, the United States District Court for the District of Maryland, as part of a multi-district litigation of market timing and related claims involving several other fund complexes (In re Mutual Funds Investment Litigation (Alger, Columbia, Janus, MFS, One Group, Putnam, Allianz Dresdner), No. 1:04-md-15863 (transfer began March 19, 2004)). The market timing cases related to the MFS funds include Riggs v. MFS et al., Case No. 04-CV-01162-JFM (direct), Hammerslough v. MFS et al., Case No. 04-MD-01620 (derivative), Anita Walker v. MFS et al., Case No. 1:04-CV-01758 (ERISA), and Reaves v. MFS Series Trust I, et al., Case No. 1:05-CV-02220-JFM (Class B Shares). The plaintiffs in these consolidated lawsuits generally seek injunctive relief including removal of the named Trustees, adviser and distributor, rescission of contracts and 12b-1 Plans, disgorgement of fees and profits, monetary damages, punitive damages, attorney's fees and costs and other equitable and declaratory relief. Two lawsuits alleging improper brokerage allocation practices and excessive compensation are pending in the United States District Court for the District of Massachusetts (Forsythe v. Sun Life Financial Inc., et al., No. 04cv10584 (GAO) (a consolidated action, first filed on March 25, 2004) and Marcus Dumond, et al. v. Massachusetts Financial Servs. Co., et al., No. 04cv11458 (GAO) filed on May 4, 2004)). The plaintiffs in these lawsuits generally seek compensatory damages, punitive damages, recovery of fees, rescission of contracts, an accounting, restitution, declaratory relief, equitable and/or injunctive relief and attorney's fees and costs. Insofar as any of the actions is appropriately brought derivatively on behalf of any of the MFS funds, any recovery will inure to the benefit of the MFS funds. Several claims of the various lawsuits have been dismissed; MFS and other named defendants continue to defend the various lawsuits.

FURTHER INFORMATION ABOUT VOTING AND THE MEETING

MANNER OF VOTING PROXIES

All proxies received by management will be voted on all matters presented at the Meeting, and if not limited to the contrary, will be voted: FOR the election of Robert J. Manning, Lawrence T. Cohn, M.D., Lawrence T. Perera, and Laurie J. Thomsen, as Trustees of the Trust (if still available for election); FOR the approval of Proposal 2; and AGAINST the approval of Proposal 3.

All proxies received, including proxies that reflect (i) broker non-votes (i.e., shares held by brokers or nominees as to which (a) instructions have not been received from the beneficial owners or the persons entitled to vote, and (b) the broker or nominee does not have discretionary voting power on a particular matter), (ii) abstentions or (iii) the withholding of authority to vote for a nominee for election as Trustee, will be counted as shares that are present on a particular matter for purposes of determining the presence of a quorum for that matter. A majority of the Trust's outstanding shares entitled to be cast at the Meeting that are present in person or represented by proxy constitutes a quorum. With respect to Proposals 1 and 2, neither broker non-

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votes nor abstentions nor withholding authority to vote have any effect on the outcome of the voting. With respect to proposal 3, broker non-votes, absentions, and withholding authority to vote all will have the effect of voting AGAINST the applicable proposal.

Each shareholder of the Trust is entitled to one vote for each share of the Trust that such shareholder owns at the close of business on September 4, 2007, on each matter on which the shareholder is entitled to vote. Each fractional share is entitled to a proportionate fractional vote.

The Trust will reimburse the record holders of its shares for their reasonable expenses incurred in sending proxy material to and obtaining voting instructions from beneficial owners.

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

INSTRUCTIONS FOR VOTING PROXIES

The giving of a proxy will not affect a shareholder's right to vote in person should the shareholder decide to attend the Meeting. To vote by mail, please mark, sign, date and return the enclosed proxy card following the instructions printed on the card.

SUBMISSION OF PROPOSALS

Proposals of shareholders which are intended to be presented at the 2008 Annual Meeting of Shareholders must be received by the Trust on or prior to March 30, 2008. The submission by a shareholder of a proposal for inclusion in the proxy materials does not guarantee that it will be included. Shareholder proposals are subject to certain requirements under the federal securities laws.

A shareholder who wishes to make a proposal at the 2008 Annual Meeting of Shareholders without including the proposal in the Trust's proxy statement must ensure that the proposal is received by the Trust in good order and in compliance with all applicable legal requirements and requirements set forth in the Trust's By-Laws and Declaration of Trust by June 13, 2008 at the Trust's principal office at 500 Boylston Street, Boston, Massachusetts 02116. The persons named as proxies for the 2008 Annual Meeting of Shareholders will have discretionary authority to vote on all matters presented at the meeting consistent with the SEC's proxy rules.

ADDITIONAL INFORMATION

The expense of the preparation, printing and mailing of the enclosed form of proxy, the Notice and this Proxy Statement, and any tabulation costs, will be borne by the Trust.

Only one copy of this Proxy Statement may be mailed to a household, even if more than one person in a household is a Trust shareholder of record, unless the Trust has received contrary instructions from one or more of the shareholders in such household. If you need additional copies of this Proxy Statement and you are the holder of record of your shares, please contact Computershare at 800-637-2304. If your shares are held in broker street name please contact your financial intermediary to obtain additional copies of this proxy statement. If in the future you do not want the mailing of proxy statements to be combined with those for other members of your household or if you are receiving multiple copies of this Proxy Statement and do want the mailings to be combined with those for other members of your household, contact Computershare, Inc. "Computershare", in writing, at 250 Royall Street, Canton, Massachusetts 02021, or by telephone at (800) 637-2304, or contact your

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financial intermediary.

IT IS IMPORTANT THAT PROXIES BE RETURNED PROMPTLY

September 14, 2007

MFS(R) GOVERNMENT MARKETS INCOME TRUST

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FEES

For the Fund's last two fiscal years, fees billed by the Trust's Independent Registered Public Accounting Firm for services provided directly to the Trust:

TRUST	INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	AUDIT FEES		
		2006	2005	
MFS Government Markets Income Trust	Deloitte	\$43,663	\$44,463	\$

TRUST	INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	TAX FEES		
		2006	2005	
MFS Government Markets Income Trust	Deloitte	\$8,400	\$10,100	

For the Trust's last two fiscal years, fees billed by the Trust's Independent Registered Public Accounting Firm for services provided to the Trust's Service Affiliates that relate directly to the Trust's operational reporting:

TRUST	INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	AUDIT RELATED FEES (1)		TAX FEES (1)	
		2006	2005	2006	2005
Service Affiliates of MFS Government Markets Income Trust	Deloitte	\$1,047,925	\$729,371	\$0	\$30,000

(1) This amount reflects the fees billed to Service Affiliates of the Fund for non-audit services related to the operations and financial reporting of the Fund (portions of which services also related to the financial reporting of all funds within the MFS funds complex).

During the periods indicated in the tables above, no services described under "Audit-Related Fees" or "All Other Fees" were approved pursuant to the de minimis exception set forth in paragraph (c) (7) of Regulation S-X.

Aggregate fees billed by the Independent Registered Public Accounting Firm, for the Trust's last two fiscal years, for non-audit services rendered to the Trust and the Trust's Service Affiliates:

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TRUST	INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	2006

MFS Government Markets Income Trust and its Service Affiliates	Deloitte	\$1,648,581

INTERESTS OF CERTAIN PERSONS

As of September 4, 2007, to the best knowledge of the Trust, the shareholders who beneficially own of the outstanding shares of any class of the Trust are as follows:

TRUST	NAME AND ADDRESS OF SHAREHOLDER	CLASS OF SHARES	NUMBER OUTSTANDING SHARES BENEFICIALLY OWNED
-------	------------------------------------	--------------------	--

MFS Government Markets Income Trust

M F S (SM)
INVESTMENT MANAGEMENT (R)

CE-MGF-PRX-9/07

MFS INVESTMENT MANAGEMENT

MR A SAMPLE
DESIGNATION (IF ANY)

- ADD 1
- ADD 2
- ADD 3
- ADD 4
- ADD 5

Using a BLACK INK pen, mark your votes with an X as shown in this example. do not write outside the designated areas. [X]

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ANNUAL MEETING PROXY CARD

123456

C0123456

\ / IF YOU HAVE NOT VOTED VIA TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM

[A] PROPOSALS -- THE TRUSTEES OF YOUR TRUST RECOMMEND THAT YOU VOTE IN FAVOR OF ITEMS 1 AND 2 A

1. Election of Directors: 01 - Robert J. Manning 02 - Lawrence T. Cohn, M.D. 03 - Lawrence

[] MARK HERE TO VOTE FOR ALL NOMINEES

[] MARK HERE TO WITHHOLD VOTE FROM ALL NOMINEES

01 02 03 04
[] [] [] []

[] FOR ALL EXCEPT - To withhold a vote for one or more nominees, mark the box to the left and the corresponding numbered box(es) to the right.

2. To amend the Trust's fundamental investment policy concerning borrowing. FOR []

3. To request that the Board of Trustees promptly take the steps necessary to open-end the Trust or otherwise enable shareholders to realize net asset for their shares. []

4. To transact such other business as may properly come before the Meeting and any adjournments thereof.

[B] AUTHORIZED SIGNATURES -- THIS SECTION MUST BE COMPLETED FOR YOUR VOTE TO BE COUNTED. -- DATE

Please sign exactly as name(s) appears hereon. Joint owners should each sign. When signing as att corporate officer, trustee, guardian, or custodian, please give full title. If a corporation, ple and indicate the signer's office. If a partnership, sign in the partnership name.

Date (mm/dd/yyyy) -- Please print date below. Signature 1 -- Please keep signature within the box. Sign with

[] [] [] [] []

CHANGE OF ADDRESS -- Please print new address below.

[]

\ / IF YOU HAVE NOT VOTED VIA TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM

IF YOU HAVE NOT VOTED VIA TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE._

PROXY -- MFS INVESTMENT MANAGEMENT

MFS(R) GOVERNMENT MARKETS INCOME TRUST
500 BOYLSTON STREET, BOSTON, MASSACHUSETTS 02116

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THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF TRUSTEES OF THE TRUST

NOTICE OF THE 2007 ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON NOVEMBER 1, 2007

The signer of this proxy card hereby appoints Tracy A. Atkinson, Christopher R. Bohane, Mark D. F. Susan S. Newton, and Susan A. Pereira and each of them separately, proxies, with power of substitution of them to represent, and to vote as designated on the reverse side, at the Meeting of Shareholders on Thursday, November 1, 2007 at 9:30 a.m. Boston time, and at any adjournment thereof, all of the undersigned would be entitled to vote if personally present.

Shareholders of the Trust will vote separately on each item.

Only a Trust's shareholders of record on September 4, 2007 will be entitled to vote at the Trust's

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE SIGNING SHAREHOLDERS. THIS PROXY WILL BE VOTED FOR PROPOSAL 1 AND 2 AND AGAINST PROPOSAL 3. IN THEIR DISCRETION, THE PROXY HOLDERS MAY VOTE ON SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING.

YOUR VOTE IS IMPORTANT. WE WOULD APPRECIATE YOUR PROMPTLY VOTING, SIGNING AND RETURNING THE ENCLOSED PROXY CARD. TO AVOID THE ADDITIONAL EXPENSE OF A SECOND SOLICITATION FOR YOUR TRUST. THE ENCLOSED ADDRESSED ENVELOPE IS PROVIDED FOR YOUR CONVENIENCE.

PLEASE SIGN AND DATE ON THE REVERSE SIDE.

ptionee.

If the optionee makes a disqualifying disposition of the purchased shares of Class A Common Stock, then the Company will be entitled to an income tax deduction, for the taxable year in which such disposition occurs, equal to the excess of (i) the fair market value of such shares on the option exercise date over (ii) the exercise price paid for

the shares. In no other instance will the Company be allowed a deduction with respect to the optionee's disposition of the purchased shares of Class A Common Stock.

Nonqualified Stock Options

No taxable income is recognized by an optionee upon the grant of a non-statutory option. The optionee will in general recognize ordinary income in the year in which the option is exercised, equal to the excess of the fair market value of the purchased shares of Class A Common Stock on the exercise date over the exercise price paid for the shares, and tax withholding requirements will apply to such income.

The Company will be entitled to an income tax deduction equal to the amount of ordinary income recognized by the optionee with respect to the exercised non-statutory option. The deduction will in general be allowed for the taxable year of the Company in which such ordinary income is recognized by the optionee.

Restricted Shares

A recipient will not be taxed at the date of an award of restricted shares, provided that the restricted shares are subject to substantial risk of forfeiture, but will be taxed at ordinary income rates on the fair market value of any restricted shares as of the date that the restrictions lapse. However, the recipient of restricted shares may elect, within 30 days after transfer of such shares to the recipient, under Section 83(b) of the Internal Revenue Code to include in income the fair market value of the restricted shares as of the date of such transfer. At the time the shares are included in income, the Company will be entitled to a corresponding deduction. Any disposition of shares after restrictions lapse will be subject to the regular rules governing long-term and short-term capital gains and losses, with the basis for this purpose equal to the fair market value of the shares at the end of the restricted period (or on the date of the transfer of the restricted shares, if the employee elects to be taxed on the fair market value upon such transfer).

Stock Appreciation Rights

A recipient who is granted a SAR will not recognize any taxable income on the receipt of the SAR. Upon the exercise of an SAR, (a) the recipient will recognize ordinary income equal to the excess of the fair market value of the shares on the exercise date over the exercise price for the SAR and (b) the Company will be entitled to a deduction on the date of exercise in an amount equal to the ordinary income recognized by the recipient.

Restricted Stock Units

A recipient who is granted a RSU will not recognize any taxable income on the receipt of the RSU. Upon the vesting of an RSU, (a) the recipient will recognize ordinary income equal to the fair market value of the shares issued at the time the RSUs are paid out and (b) the Company will be entitled to a deduction on the date of vesting in an amount equal to the ordinary income recognized by the recipient.

Performance Awards and Stock Awards

A recipient will recognize ordinary income equal to any cash that is paid and the fair market value of the Class A Common Stock (on the date that the shares are first transferable and not subject to a substantial risk of forfeiture) that is received in settlement of an award of performance units or as a stock award.

Effects on the Company

The Company generally will be entitled to claim a federal income tax deduction on account of the exercise of a nonqualified stock option or SAR or upon the taxability to the recipient of restricted stock, restricted stock units, or the settlement of a performance award (subject to tax limitations on the Company's deductions in any year that certain remuneration paid to certain executives exceeds \$1 million). The amount of the deduction is equal to the ordinary income recognized by the recipient. The Company will not be entitled to a federal income tax deduction on account of the grant or the exercise of an incentive stock option unless the recipient has made a "disqualifying

disposition” of the shares acquired on exercise of the incentive stock option, in which case the Company will be entitled to a deduction at the same time and in the same amount as the recipient’s recognition of ordinary income.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE “FOR” THE ADOPTION OF THE AMENDMENT TO THE PLAN TO INCREASE THE TOTAL NUMBER OF SHARES OF CLASS A COMMON STOCK AVAILABLE FOR ISSUANCE THEREUNDER.

PROPOSAL FOUR

RATIFICATION OF THE APPOINTMENT OF OUR INDEPENDENT AUDITORS

The Board has selected the firm of EisnerAmper LLP as our independent auditors for the fiscal year ending March 31, 2013, subject to ratification by our stockholders at the Annual Meeting. EisnerAmper LLP has been our independent auditors since the fiscal year ended March 31, 2005. A representative of EisnerAmper LLP is expected to be present at the Annual Meeting and will have an opportunity to make a statement, if desired.

More information about our independent auditors is available under the heading “Independent Auditors” on page [32] below.

THE BOARD UNANIMOUSLY RECOMMENDS THAT YOU VOTE “FOR” THE RATIFICATION OF THE APPOINTMENT OF EISNERAMPER LLP AS OUR INDEPENDENT AUDITORS FOR THE FISCAL YEAR ENDING MARCH 31, 2013.

OTHER MATTERS

The Board does not know of any other matters that may be brought before the Annual Meeting. However, if any such other matters are properly brought before the Annual Meeting, the proxies may use their own judgment to determine how to vote your shares.

MATTERS RELATING TO OUR GOVERNANCE

Board of Directors

The Board oversees the Company’s risk management including understanding the risks the Company faces and what steps management is taking to manage those risks, as well as understanding what level of risk is appropriate for the Company. The Board’s role in the Company’s risk oversight process includes receiving regular updates from members of senior management on areas of material risk to the Company, including operational, financial, legal and regulatory, human resources, employment, and strategic risks.

The Company’s leadership structure consists of the combined role of Chairman of the Board and Chief Executive Officer and a separate Lead Independent Director. Mr. Brown currently serves as our Lead Independent Director. The Lead Independent Director’s responsibilities include presiding at all meetings of the Board at which the Chairman is not present, including executive sessions of the independent directors, serving as a liaison between the Chairman and the independent directors, reviewing information sent to the Board, consulting with the Nominating Committee with regard to the membership and performance evaluations of the Board and Board committee members, calling meetings of and setting agendas for the independent directors, and serving as liaison for communications with stockholders. The Board believes that the existence of a lead director supports strong corporate governance principles while deriving the

benefit of having the Company's Chief Executive Officer also serve as Chairman of the Board. The Board believes that this leadership structure enhances the Chairman of the Board and Chief Executive Officer's ability to provide insight and direction on the Company's strategic direction to both management and independent directors, and at the same time, with the support and oversight of a lead director, ensures that the appropriate level of independent oversight is applied to all management decisions. The Board believes that this structure ensures that the independent directors continue to effectively oversee management and provide effective oversight of key issues relating to strategy, risk and integrity without the need to split the roles of Chairman of the Board and Chief Executive Officer.

The Board intends to meet at least quarterly and the independent directors serving on the Board intend to meet in executive session (i.e., without the presence of any non-independent directors and management) at least twice a year immediately following regularly scheduled Board meetings. During the fiscal year ended March 31, 2012 (the “Last Fiscal Year”), the Board held 12 meetings and the Board members acted __ times by unanimous written consent in lieu of holding a meeting. Each current member of the Board, who was then serving, attended at least 75% of the total number of meetings of the Board and of the committees of the Board on which they served in the Last Fiscal Year. No individual may be nominated for election to the Board after his or her 73rd birthday. Messrs. Brown, Clevenger, Finlay, Gilhuly and O’Connor and Ms. Sims are considered “independent” under the rules of the SEC and the Nasdaq Global Market (“Nasdaq”).

The Board currently does not provide a formal process for stockholders to send communications to the Board. In the opinion of the Board, it is appropriate for the Company not to have such a process in place because the Board believes there is currently not a need for a formal policy due to, among other things, the limited number of stockholders of the Company. While the Board will, from time to time, review the need for a formal policy, at the present time, stockholders who wish to contact the Board may do so by submitting any communications to the Company’s Secretary, Mr. Loffredo, at 55 Madison Avenue, Suite 300, Morristown, New Jersey 07960, with an instruction to forward the communication to a particular director or the Board as a whole. Mr. Loffredo will receive the correspondence and forward it to any individual director or directors to whom the communication is directed.

The Company does not currently have a policy in place regarding attendance by Board members at the Company’s annual meetings. However, each of the current directors, who were then serving, attended the 2011 Annual Meeting of Stockholders, and each director who is standing for re-election currently intends to attend this Annual Meeting.

The Board has three standing committees, consisting of an Audit Committee, a Compensation Committee and a Nominating Committee.

Audit Committee

The Audit Committee consists of Messrs. Brown and Finlay and Ms. Sims. Mr. Finlay is the Chairman of the Audit Committee. The Audit Committee held seven meetings in the Last Fiscal Year. The Audit Committee has met with the Company’s management and the Company’s independent registered public accounting firm to review and help ensure the adequacy of its internal controls and to review the results and scope of the auditors’ engagement and other financial reporting and control matters. Mr. Finlay and Ms. Sims are financially literate, and Mr. Finlay and Ms. Sims are financially sophisticated, as those terms are defined under the rules of Nasdaq. Mr. Finlay and Ms. Sims are also financial experts, as such term is defined under the Sarbanes-Oxley Act of 2002. Messrs. Brown and Finlay and Ms. Sims are considered “independent” under the rules of the SEC and Nasdaq.

The Audit Committee has adopted a formal written charter (the “Audit Charter”). The Audit Committee is responsible for ensuring that the Company has adequate internal controls and is required to meet with the Company’s auditors to review these internal controls and to discuss other financial reporting matters. The Audit Committee is also responsible for the appointment, compensation and oversight of the auditors. Additionally, the Audit Committee is responsible for the review and oversight of all related party transactions and other potential conflict of interest situations between the Company and its officers, directors, employees and principal stockholders. The Audit Charter is available on the Company’s Internet website at www.cinedigm.com.

Compensation Committee

The Compensation Committee consists of Messrs. Brown, Clevenger and Gilhuly. Mr. Clevenger is the Chairman of the Compensation Committee. The Compensation Committee met three times during the Last Fiscal Year. The Compensation Committee approves the compensation package of the Company's Chief Executive Officer and, based on recommendation by the Company's Chief Executive Officer, approves the levels of compensation and benefits payable to the Company's other executive officers, reviews general policy matters relating to employee compensation and benefits and recommends to the entire Board, for its approval, stock option and other equity-based award grants to its executive officers, employees and consultants and discretionary bonuses to its executive officers and employees. The Compensation Committee has the authority to appoint and delegate to a sub-committee

the authority to make grants and administer bonus and compensation plans and programs. Messrs. Brown, Clevenger and Gilhuly are considered “independent” under the rules of the SEC and the Nasdaq.

The Compensation Committee adopted a formal written charter (the “Compensation Charter”). The Compensation Charter sets forth the duties, authorities and responsibilities of the Compensation Committee. The Compensation Charter is available on the Company’s Internet website at www.cinedigm.com.

The Compensation Committee, when determining executive compensation (including under the executive compensation program, as discussed below under the heading Compensation Discussion and Analysis), evaluates the potential risks associated with the compensation policies and practices. The Compensation Committee believes that the Company’s compensation programs are designed with an appropriate balance of risk and reward in relation to the Company’s overall compensation philosophy and do not encourage excessive or unnecessary risk-taking behavior. In general, the Company compensates its executives in a combination of cash, stock options and restricted stock units (that are payable in cash or stock at the Company’s discretion). Both the stock options and the restricted stock units contain vesting provisions, typically of proportional annual vesting over a three-year period, which encourages the executives, on a long-term basis, to strive to enhance the value of such compensation as measured by the trading price of the Class A Common Stock. The Compensation Committee does not believe that this type of compensation encourages excessive or unnecessary risk-taking behavior. As a result, we do not believe that risks relating to our compensation policies and practices for our employees are reasonably likely to have a material adverse effect on the Company. The Company intends to recapture compensation as required under the Sarbanes-Oxley Act. However, there have been no instances where it needed to recapture any compensation.

During the Last Fiscal Year, the Compensation Committee engaged Aon/Hewitt, a compensation consulting firm. The consultant met with the Compensation Committee multiple times during the Last Fiscal Year and provided guidance for cash and equity bonus compensation to executive officers and directors, which the Compensation Committee considered in reaching its determinations of such compensation. In addition, the consultant was available to respond to specific inquiries throughout the process.

Nominating Committee

The Nominating Committee consists of Messrs. Brown, Clevenger and O’Connor and Ms. Sims. Mr. O’Connor is the Chairman of the Nominating Committee. The Nominating Committee held five meetings during the Last Fiscal Year. The Nominating Committee evaluates and approves nominations for annual election to, and to fill any vacancies in, the Board and recommends to the Board the directors to serve on committees of the Board. The Nominating Committee also approves the compensation package of the Company’s directors. Messrs. Brown, Clevenger and O’Connor and Ms. Sims are considered “independent” under the rules of the SEC and the Nasdaq.

The Nominating Committee adopted a formal written charter (the “Nominating Charter”). The Nominating Charter sets forth the duties and responsibilities of the Nominating Committee and the general skills and characteristics that the Nominating Committee employs to determine the individuals to nominate for election to the Board. The Nominating Charter is available on the Company’s Internet website at www.cinedigm.com.

The Nominating Committee will consider any candidates recommended by stockholders. In considering a candidate submitted by stockholders, the Nominating Committee will take into consideration the needs of the Board and the qualifications of the candidate. Nevertheless, the Board may choose not to consider an unsolicited recommendation if no vacancy exists on the Board and/or the Board does not perceive a need to increase the size of the Board. Stockholders should submit any recommendations of director candidates for the Company’s 2012 Annual Meeting of Stockholders to the Company’s Secretary, Mr. Loffredo, at 55 Madison Avenue, Suite 300, Morristown, New Jersey 07960 in accordance with the procedures set forth above under the heading “Deadline for Receipt of Stockholder

Proposals to be Presented at Next Annual Meeting.”

There are no specific minimum qualifications that the Nominating Committee believes must be met by a Nominating Committee-recommended director nominee. However, the Nominating Committee believes that director candidates should, among other things, possess high degrees of integrity and honesty; have literacy in financial and business matters; have no material affiliations with direct competitors, suppliers or vendors of the Company; and preferably have experience in the Company’s business and other relevant business fields (for example, finance,

accounting, law and banking). The Nominating Committee considers diversity together with the other factors considered when evaluating candidates but does not have a specific policy in place with respect to diversity.

Members of the Nominating Committee meet in advance of each of the Company's annual meetings of stockholders to identify and evaluate the skills and characteristics of each director candidate for nomination for election as a director of the Company. The Nominating Committee reviews the candidates in accordance with the skills and qualifications set forth in the Nominating Charter and the rules of the Nasdaq. There are no differences in the manner in which the Nominating Committee evaluates director nominees based on whether or not the nominee is recommended by a stockholder.

Code of Business Conduct and Ethics

We have adopted a code of ethics applicable to all members of the Board, executive officers and employees. Such code of ethics is available on our Internet website, www.cinedigm.com. We intend to disclose any amendment to, or waiver of, a provision of our code of ethics by filing a Current Report on Form 8-K with the SEC.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

As of July 16, 2012, the Company's directors, executive officers and principal stockholders beneficially own, directly or indirectly, in the aggregate, approximately 33.3% of its outstanding Class A Common Stock and none of its Class B Common Stock. These stockholders have significant influence over the Company's business affairs, with the ability to control matters requiring approval by the Company's stockholders, including the two proposals set forth in this Proxy Statement as well as approvals of mergers or other business combinations.

The following table sets forth as of July 16, 2012, certain information with respect to the beneficial ownership of the Common Stock as to (i) each person known by the Company to beneficially own more than 5% of the outstanding shares of the Company's Common Stock, (ii) each of the Company's directors, (iii) each of the Company's Named Executives (as defined below) and (iv) all of the Company's directors and executive officers as a group.

CLASS A COMMON STOCK

Name (a)	Shares Beneficially Owned (b)		Percent	
	Number			
Christopher J. McGurk	1,699,615	(c)	3.4	%
Adam M. Mizel	1,069,800	(d)	2.2	%
Gary S. Loffredo	451,197	(e)	*	
Peter C. Brown	365,519	(f)	*	
Wayne L. Clevenger c/o MidMark Equity Partners II, L.P.,	2,228,899	(g)	4.6	%

177 Madison
Avenue
Morristown, NJ
07960

Matthew W.
Finlay
c/o MidMark
Equity Partners
II, L.P.,
177 Madison
Avenue
Morristown, NJ
07960

2,207,313 (h) 4.6 %

Edward A.
Gilhuly
c/o Sageview
Capital Master,
L.P.
245 Lytton
Avenue, Suite
250
Palo Alto, CA
94301

16,180,313 (i) 25.3 %

Martin B.
O'Connor II

131,827 *

Laura Nisonger Sims c/o Sageview Capital Master, L.P. 245 Lytton Avenue, Suite 250 Palo Alto, CA 94301	—		*
Federated Investors, Inc. Federated Investors Tower Pittsburgh, PA 15222-3779	5,507,787	(j)(1)	11.5 %
Ronald L. Chez 291 E. Lake Shore Drive Chicago, IL 60611	3,657,500	(l)	7.6 %
Sageview Capital Master, L.P. 245 Lytton Avenue, Suite 250 Palo Alto, CA 94301	16,180,313	(i)	25.3 %
All directors and executive officers as a group (9 persons)	22,135,584	(k)	33.3 %

* Less than 1%

- (a) Unless otherwise indicated, the business address of each person named in the table is c/o Cinedigm Digital Cinema Corp., 55 Madison Avenue, Suite 300, Morristown, New Jersey 07960.
- (b) Applicable percentage of ownership is based on [48,046,053] shares of Class A Common Stock outstanding as of July 16, 2012 together with all applicable options, warrants and other securities convertible into shares of our Class A Common Stock for such stockholder. Beneficial ownership is determined in accordance with the rules of the SEC, and includes voting and investment power with respect to shares. Shares of Class A Common Stock subject to options, warrants or other convertible securities exercisable within 60 days after July 16, 2012 are deemed outstanding for computing the percentage ownership of the person holding such options, warrants or other convertible securities, but are not deemed outstanding for computing the percentage of any other person. Except as otherwise noted, the named beneficial owner has the sole voting and investment power with respect to the shares of Common Stock shown.
- (c) Includes 1,500,000 shares of Class A Common Stock underlying options that may be acquired upon exercise of such options.
- (d)

- Includes 575,000 shares of Class A Common Stock underlying options that may be acquired upon exercise of such options.
- (e) Includes 288,197 shares of Class A Common Stock underlying options that may be acquired upon exercise of such options.
- (f) Includes 347,223 shares owned by Grassmere Partners LLC, of which Mr. Brown is Chairman. Mr. Brown disclaims beneficial ownership of such shares except to the extent of any pecuniary interest therein.
- (g) Mr. Clevenger is a managing director of MidMark and of MidMark Investments, Inc. (“MidMark Investments”) and a managing member of MidMark Advisors II, LLC. Includes 30,000 shares of Class A Common Stock owned directly, 80,000 shares of Class A Common Stock underlying options that may be acquired upon exercise of such options held by MidMark Investments and 2,118,899 shares owned by MidMark. Other than the 30,000 shares first described, Mr. Clevenger disclaims beneficial ownership of such shares except to the extent of any pecuniary interest therein.
- (h) Mr. Finlay is a director of MidMark and of MidMark Investments. Includes 8,414 shares of Class A Common Stock owned directly, 80,000 shares of Class A Common Stock underlying options that may be acquired upon exercise of such options held by MidMark Investments and 2,118,899 shares owned by MidMark. Other than the 8,414 shares first described, Mr. Finlay disclaims beneficial ownership of such shares except to the extent of any pecuniary interest therein.
- (i) Includes 16,000,000 shares of Class A Common Stock subject to issuance upon exercise of currently exercisable warrants owned by Sageview Capital Master Fund, L.P. (“Sageview Master”). Sageview Capital Partners (A), L.P. (“Sageview A”), Sageview Capital Partners (B), L.P. (“Sageview B”) and Sageview Capital Partners (C) (Master), L.P. (“Sageview C”) are the sole shareholders of Sageview Master. Sageview Capital GenPar, Ltd. (“Sageview Ltd.”) is the sole general partner of each of Sageview A, Sageview B and Sageview C. Sageview Capital GenPar, L.P. (“Sageview GenPar”) is the sole shareholder of Sageview Ltd. Sageview Capital MGP, LLC (“Sageview MGP”) is the sole general partner of Sageview GenPar. Edward A. Gilhuly and Scott
-

- M. Stuart are managing and controlling persons of Sageview MGP. Messrs. Gilhuly and Stuart have shared voting and dispositive power with respect to the securities beneficially owned by Sageview Master. Mr. Gilhuly is a director of the Company. Each of Sageview A, Sageview B, Sageview C, Sageview Ltd., Sageview GenPar, Sageview MGP and Messrs. Gilhuly and Stuart disclaims beneficial ownership of such securities, except to the extent of its or his pecuniary interest therein, if any.
- (j) Federated Investors, Inc. ("Federated") is the indirect parent holding company of Federated Equity Management Company of Pennsylvania and Federated Global Investment Management Corp., both of which act as investment advisors to registered investment companies and separate accounts that own shares, and Federated Kaufman Small Cap Fund and AST Federated Aggressive Growth Portfolio, both of which own shares. Federated is owned by the Voting Shares Irrevocable Trust, of which John F. Donahue, Rhodora J. Donahue and J. Christopher Donahue are trustees. Each trustee disclaims beneficial ownership of the shares.
- (k) Includes 2,443,197 shares of Class A Common Stock underlying options that may be acquired upon exercise of such options and 16,000,000 shares of Class A Common Stock underlying warrants that may be acquired upon exercise of such warrants.
- (l) Based on the numbers of shares reported in the most recent Schedule 13D or Schedule 13G, as amended, if applicable, and filed by such stockholder with the SEC through July 16, 2012 and information provided by the holder or otherwise known to the Company.

There are no shares of Class B Common Stock outstanding or subject to options, warrants or other convertible securities. A holder of each share of Class B Common Stock is entitled to ten (10) votes per share. Each outstanding share of Class B Common Stock is convertible at any time at the holder's option into one (1) share of Class A Common Stock.

EXECUTIVE OFFICER AND DIRECTOR COMPENSATION

Executive Officers

The Company's executive officers are Christopher J. McGurk, Chief Executive Officer and Chairman of the Board, Gary S. Loffredo, President of Digital Cinema, General Counsel, Secretary and a member of the Board, and Adam M. Mizel, Chief Operating Officer and Chief Financial Officer and a member of the Board. Biographical information for Messrs. McGurk, Mizel and Loffredo is included above in Proposal One.

Related Party Transactions

In August 2009, the Company issued a promissory note for \$75,000,000 to an affiliate of Sageview, which note was later amended in May 2010. Subject to certain adjustments, interest on the note is 8% per annum to be accrued as an increase in the aggregate principal amount of the note and 7% per annum paid in cash. In addition to the note, the Company issued to Sageview warrants to purchase 16,000,000 shares of Class A Common Stock. Under the terms of the note, Sageview is entitled to designate two nominees for election to the Board at each annual meeting of the Company's stockholders, subject to the loss of such designation rights upon certain reductions in the aggregate principal amount outstanding of the note and the beneficial ownership of shares of Class A Common Stock by Sageview. Mr. Gilhuly and Ms. Sims are the two Sageview current directors and are nominees for election at the Annual Meeting pursuant to Sageview's designation rights. Mr. Gilhuly and Ms. Sims are principals of Sageview, as more specifically described in Proposal 1, Election of Directors. During fiscal 2012, the largest aggregate amount of principal outstanding under the note was \$87.4 million; the amount of the note outstanding as of June 30, 2012 was \$_____ ; no principal or interest was paid in cash during fiscal 2012; and the amount of interest incurred during fiscal 2012 was \$9.2 million.

The Audit Committee, pursuant to its charter, it is responsible for the review and oversight of all related party transactions and other potential conflict of interest situations, by review in advance or ratification afterward. The Audit Committee charter does not set forth specific standards to be applied; rather, the Audit Committee reviews each transaction individually on a case-by-case, facts and circumstances basis.

COMPENSATION DISCUSSION AND ANALYSIS

Compensation Philosophy and Objectives

Cinedigm's executive compensation philosophy is focused on enabling the Company to hire and retain qualified and motivated executives, while meeting its business needs and objectives. To be consistent with this philosophy, the executive compensation program (the "Compensation Program") has been designed around the following objectives:

- Provide competitive compensation levels to enable the recruitment and retention of highly qualified executives.
- Design incentive programs that strengthen the link between pay and corporate performance to encourage and reward excellence and contributions that further Cinedigm's success.
- Align the interests of executives with those of shareholders through grants of equity-based compensation that also provide opportunities for ongoing executive ownership.

An overriding principle in delivering on these objectives is to ensure that compensation decisions are made in the Company's best financial interests such that incentive awards are both affordable and reasonable, taking into account Company performance and considering the interests of all stakeholders. Going forward, the Company faces the challenges of continuing to grow in a new and evolving market against the backdrop of continued challenging economic conditions.

As the Company has evolved, so too has the Compensation Program. Going forward, the Company is focused on improving both shareholder returns and its cash position. To help achieve this goal, over the years, the Compensation Program was restructured in 2008 to reward the Chief Executive Officer ("CEO") for achieving strategic goals and increasing shareholder value and to create a formal performance-based Management Annual Incentive Plan (MAIP) to establish specific target award levels and performance metrics. The plan is predicated on attaining goals that are critical to Cinedigm's future success and is designed to reward the level of collaboration across divisions and segments that results in achieving corporate results. Performance exceeded threshold in fiscal 2012. As a result, bonuses were paid to all NEOs and other participants in the MAIP based on the above plan performance of the Company as a whole as well as the unit level performances of each business unit and a discretionary component as determined by the Compensation Committee.

The Compensation Program consists of base salary, annual incentives, and long-term equity compensation. In addition, all NEOs receive some modest personal benefits and perquisites. The Company does not, however, provide supplemental retirement benefits for NEOs; retirement benefits are accumulated through the Company's 401(k) plan which is open to all employees. All of our NEOs have employment agreements.

The Compensation Committee annually reviews the executive compensation elements and assesses the integrity of the Compensation Program as a whole to ensure that it continues to be aligned with the Company's compensation objectives and supports the attainment of Company goals. Periodically, the Company reviews competitive compensation levels, mix of pay, and practices to ensure all Compensation Program features continue to be in line with the market, while still reflecting the unique needs of our business model. Additionally, in response to business and talent needs, executive management brings compensation proposals to the Compensation Committee, which then reviews the proposal and either approves or denies the proposed changes.

In 2011, the Compensation Committee determined that the goal of the compensation consultant previously hired to assist the Company with creating the Compensation Program had been met, and that it would benefit the Company to

change compensation consultants. It engaged AON/Hewitt in May 2011 with the purpose of guiding the Company with respect to company-wide compensation, including bonuses, incentives and compensation for new hires and various benefits.

Competitive Positioning and Mix of Pay

Competitive Assessment

The primary source of peer data for executives is a customized peer group developed to reflect competitors for business and talent. An initial peer group of six companies was established as part of a comprehensive competitive assessment undertaken by the Compensation Committee (working with an outside consulting firm, HR+Survey Solutions, LLC) at the end of 2007.

The Compensation Committee updated its peer group given changes in the market in 2011. The new peer group was expanded to include more companies, particularly those of comparable scale to Cinedigm (with a median revenue of \$126 million), and similar, but smaller, media businesses. Deleted were companies that had grown to be too large to be relevant. The revisions increase the number of peers from six to 17, reflected in the chart below.

PEER GROUP FOR 2011/2012 FISCAL YEAR

		Realnetworks
Ckx Inc.	Imax Corp. Inc.	
	Limelight	
Demand	Networks	
Media Inc.	Inc.	Rentrak Corp.
Dg	Lodgenet	
Fastchannel	Interactive	Seachange
Inc.	Corp.	International
	National	
Digimarc	Cinemia	
Corp.	Inc.	Thestreet.Com
	Onstream	
	Media	Westwood
Dts Inc.	Corp.	One Inc.
Global		
Traffic		
Network	Point.360	

The Compensation Committee has not defined a target pay positioning for the CEO or other NEOs, nor does it commit to providing a specific percentile or pay range. In the most recent competitive assessment analysis (conducted mid-year 2010), the former CEO's total direct compensation (total cash compensation plus long-term incentives and equity awards) was 107% of the median. The Compensation Committee viewed such prominent positioning as appropriate because the CEO had significant influence over the direction of the business.

The other NEOs' compensation was assessed in 2010; most are paid close to the median of the peer group for base salary and below median for target total cash compensation and total direct compensation. While it is the belief of the Compensation Committee that the available talent pool to fill these positions is broader than the pool for the CEO and therefore, that their pay levels, and potential opportunity for wealth creation through stock grants, are robust enough to retain and motivate them, the Compensation Committee has taken steps to shift a larger portion of their pay into variable compensation. Adam Mizel, however, is paid at 112% of the median for base salary, 115% of the median for target total cash compensation and 140% of median for target total direct compensation, based on the 2010 analysis. The Compensation Committee feels his positioning is appropriate because he brings a special set of talents that are

important to the future success of the company.

Pay Mix

The Company's pay philosophy has been evolving from an emphasis on fixed pay to one that believes a substantial portion of each executive's compensation should be at risk and dependent upon performance. Starting in 2009, the Company began to deliver a greater proportion of total compensation through variable elements for the other NEOs. While the Compensation Committee has not adopted a targeted mix of either long-term to short-term, fixed to variable, or equity and non-equity compensation, they have taken steps to increase the portion of variable compensation. Steps in this direction include the introduction of the Management Annual Incentive Plan and more regular equity grants.

Elements of Compensation

Base Salary

Base salaries are fixed compensation with the primary function of aiding in attraction and retention. These salaries are reviewed annually, as well as at the time of a promotion or other change in responsibilities. Any increases are based on an evaluation of the previous year's performance of the Company and the executive, the relative strategic importance of the position, market conditions, and competitive pay levels (though, as noted earlier, the Compensation Committee does not target a specific percentile or range). None of the NEOs received a salary increase during fiscal year 2012.

NEO salaries will remain at current levels throughout the new fiscal year, with no salary increases planned. The decision to maintain salaries at current levels and forgo salary increases reflects the Compensation Committee's plan to deliver a greater proportion of compensation through variable components over time.

Annual Incentive Awards

Commencing with the 2010 fiscal year, the Compensation Committee implemented a formal annual incentive plan. This plan was also used for the 2012 fiscal year and was expanded to cover thirty Cinedigm executives including the NEOs. The plan established threshold and maximum levels of incentive awards defined as a percentage of a participant's salary.

	Threshold MAIP as a Percent of Salary	Target MAIP as a Percent of Salary	Maximum MAIP as a Percent of Salary
Executive Officer			
Chris McGurk	37.5%	75%	150%
Adam M. Mizel	25%	50%	100%
Gary S. Loffredo	22.5%	50%	100%

Payouts were determined based on achievement of consolidated EBITDA and cash flow goals. Participants who were part of a specific business segment or division could have their payout modified by the business segment or division's performance as determined on a discretionary basis. We do not disclose segment and division targets, or individual goals, as we believe that such disclosure would result in competitive harm. Based on our experience in the segments and divisions, we believe these targets were set sufficiently high to provide incentive to achieve a high level of performance. We believe it is difficult, although not unattainable, for the targets to be reached and, therefore, [no more likely than unlikely] that the targets will be reached. Payouts could also be modified, by a maximum of +/-20% for individual performance.

For the 2012 fiscal year, the threshold financial goals were exceeded; therefore, annual incentives were earned by NEOs and other plan participants.

Restricted Unit Awards

Mr. Loffredo, the only current NEO who was an NEO in 2009, received a grant of 35,000 RSUs in April 2009 as part of the Company's move toward more variable pay and strengthening the tie to long-term performance. The RSU grants were designed to provide a discretionary reward for the previous year's performance as well as aid in retention, increase executive ownership, and focus NEOs on improving share price. In April 2012, when the grant would have vested upon its original terms, the vesting was extended until _____ at Mr. Loffredo's request. The RSUs may be settled in stock or cash or a combination thereof at the Company's discretion.

Long-Term Incentive Awards

The Compensation Committee annually considers long-term incentive awards, for which it has the authority to grant a variety of equity-based awards. The primary objective of such awards is to align the interests of executives with

those of shareholders by increasing executive ownership and fostering a long-term focus. In recent years, such awards have been made after fiscal year end in order to permit consideration of year-end performance.

Long-term incentive awards for the NEOs have historically consisted of stock options, until NEOs became eligible for grants of RSUs starting in 2008. These grants were designed to aid in retention, provide a discretionary reward for performance, increase executive ownership, and focus NEOs on improving share price. Going forward, the Committee has determined that future stock grants will consist of stock options to focus executives on the creation of shareholder value.

As part of the on-going long-term incentive plan, in fiscal 2012, the NEOs, other than Mr. McGurk, received grants of stock options as follows: 500,000 stock options to Mr. Mizel and 300,000 stock options to Mr. Loffredo. Mr. McGurk was not eligible for a grant because, upon joining Cinedigm in 2011, he received a grant of stock options intended to cover a three year period. Factors that were considered in determining the size of the grants included a comparison to the peer group in light of the new roles and responsibilities undertaken by Messrs. Mizel and Loffredo in accordance with their expanded roles under their new employment agreements in October 2011, which are described more fully beginning on page 25. The exercise price of the grants, in accordance with the Plan, must not be less than 100% of the fair market value of the Company's Class A Common Stock on the date of grant.

Mr. McGurk's Compensation Arrangements

Mr. McGurk joined Cinedigm in January 2011 as CEO and Chairman of the Board. Accordingly, Mr. McGurk's compensation package was created in line with the Company's current compensation philosophy of a base salary coupled with variable compensation including a large portion of equity-based compensation, through stock options, linked to stock price performance. When negotiating Mr. McGurk's employment agreement, the Company sought for salary and bonus amounts that were in line with peer group amounts and that would provide incentive for Mr. McGurk with a view toward increasing stockholder value. The Company determined that stock options would align Mr. McGurk's interests with stockholders and, further, that the escalating exercise price structure of the options (the options are grouped in three tranches which have exercise prices of \$1.50, \$3.00 and \$5.00 per share, respectively) would provide a strong incentive for Mr. McGurk to improve stock performance.

A summary of Mr. McGurk's compensation package is located under the heading "Employment agreements and arrangements between the Company and Named Executives" beginning on page [25].

Personal Benefits and Perquisites

In addition to the benefits provided to all employees and grandfathered benefits (provided to all employees hired before January 1, 2005), NEOs are eligible for an annual physical and supplemental life insurance coverage of \$200,000.

It is the Company's policy to provide minimal and modest perquisites to the NEOs, including in some instances an annual automobile allowance. Mr. McGurk does not receive an automobile allowance.

Employment Agreements for other NEOs

The Company provides an employment agreement to Mr. McGurk, Mr. Mizel and Mr. Loffredo, as a means of inducing them to join the Company as well as for retention during periods of uncertainty and operational challenge. Additionally, the employment agreements include non-compete and non-solicitation provisions. The provisions for severance benefits are at typical competitive levels. See page [20] for a description of the material terms of Mr.

McGurk's, Mr. Mizel's and Mr. Loffredo's employment agreements.

Stock Ownership Guidelines

The Company does not maintain formal stock ownership guidelines.

Policy on Deductibility of Compensation

Section 162(m) of the Internal Revenue Code limits the deductibility of compensation in excess of \$1 million paid to certain executive officers named in this proxy statement, unless certain requirements are met. No element of the Company's compensation, including the annual incentive awards and restricted stock, meets these requirements. Given the Company's net operating losses, Section 162(m) is not currently a material factor in designing compensation.

Recapture Policy

The Company intends to recapture compensation as required under the Sarbanes-Oxley Act. However, there have been no instances where it needed to recapture any compensation.

Restriction on Speculative Transactions

The Company's Insider Trading and Disclosure Policy restricts employees and directors of the Company from engaging in speculative transactions in Company securities, including short sales, and discourages employees and directors of the Company from engaging in hedging transactions, including "cashless" collars, forward sales, and equity swaps, that may indirectly involve short sales. Pre-clearance by the Company is required for any such transaction.

COMPENSATION COMMITTEE REPORT

The following report does not constitute soliciting material and is not considered filed or incorporated by reference into any other filing by the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis that precedes this Report as required by Item 402(b) of the SEC's Regulation S-K. Based on its review and discussions with management, the Compensation Committee recommended to the Board the inclusion of the Compensation Discussion and Analysis in this Proxy Statement.

The Compensation Discussion and Analysis discusses the philosophy, principles, and policies underlying the Company's compensation programs that were in effect during the Last Fiscal Year and which will be applicable going forward until amended.

Respectfully submitted,
The Compensation Committee of the Board of Directors
Wayne L. Clevenger, Chairman
Peter C. Brown
Edward A. Gilhuly

THE FOREGOING COMPENSATION COMMITTEE REPORT SHALL NOT BE "SOLICITING MATERIAL" OR BE DEEMED FILED WITH THE SEC, NOR SHALL SUCH INFORMATION BE INCORPORATED BY REFERENCE INTO ANY FILING UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE EXCHANGE ACT, EXCEPT TO THE EXTENT THE COMPANY SPECIFICALLY INCORPORATES IT BY REFERENCE INTO SUCH FILING.

The following table sets forth certain information concerning compensation received by the Company's Chief Executive Officer and its two other most highly compensated individuals who were serving as executive officers at the end of the Last Fiscal Year, for services rendered in all capacities during the Last Fiscal Year (the "Named Executives").

SUMMARY COMPENSATION TABLE

Name and Principal Position(s)	Year	Salary (\$)	Stock Awards (\$)(1)	Option Awards (\$)(2)	Nonequity Incentive Plan Compensation (\$)(3)	All Other Compensation (\$)(4)	Total (\$)
Christopher J. McGurk Chief Executive Officer and Chairman	2012	600,000	—	—	601,200	15,607	1,216,807
	2011	150,000	112,500(5)	3,637,947	—	2,500	3,902,947
Adam M. Mizel Chief Operating Officer and Chief Financial Officer	2012	375,000	—	436,664	250,500	28,563	1,090,727
	2011	375,000	100,000(6)	—	—	14,788	489,788
Gary S. Loffredo Senior Vice President- Business Affairs, General Counsel and Secretary	2010	243,750	—	256,555	—	10,264	510,569
	2012	315,000	—	261,998	210,420	30,684	818,102
	2011	315,000	100,000(6)	58,141	—	18,073	491,214
	2010	315,000	37,100	94,686(7)	—	17,982	464,768

- (1) The amounts in this column reflect the grant date fair value for the fiscal years ended March 31, 2012, 2011 and 2010, in accordance with FASB ASC Topic 718. Assumptions used in the calculation of these amounts are included in footnote 2 to the Company's audited financial statements for the fiscal year ended March 31, 2012, included in the Company's Annual Report on Form 10-K filed with the SEC on June 18, 2012 (the "Form 10-K").
- (2) The amounts in this column reflect the grant date fair value for the fiscal years ended March 31, 2012, 2011 and 2010, in accordance with FASB ASC Topic 718. Assumptions used in the calculation of these amounts are included in footnote 2 to the Company's audited financial statements for the fiscal year ended March 31, 2012, included in the Form 10-K.
- (3) The amounts in this column reflect amounts earned under annual incentive awards. See page [22] for a description of the material terms of the annual incentive plan for each Named Executive.
- (4) Includes automobile allowances, additional life insurance premiums paid by the Company, certain medical expenses paid by the Company and the premiums for group term life insurance paid by the Company for each Named Executive as follows for the fiscal year ended March 31, 2012: for Mr. McGurk, \$0, \$603, \$14,204 and \$800, for Mr. Mizel, \$12,000, \$603, \$15,160 and \$800, and for Mr. Loffredo, \$11,845, \$3,897 and \$14,142 and \$800.
- (5) Reflects the value of Class A Common Stock issued that was earned during fiscal 2011, pursuant to the terms of an employment agreement with Mr. McGurk.
- (6) Reflects the value of Class A Common Stock issued subsequent to March 31, 2011 that were earned during fiscal 2011.
- (7)

Includes the grant of option awards issued in exchange for the termination of the AccessDM options and vested upon issuance.

Employment agreements and arrangements between the Company and Named Executives

Christopher J. McGurk. On December 23, 2010, the Company entered into an employment agreement with Mr. McGurk (the "McGurk Employment Agreement"), pursuant to which Mr. McGurk serves as the Chief Executive Officer of the Company. The term of the Employment Agreement commenced on January 3, 2011 and will end on March 31, 2014. Pursuant to the McGurk Employment Agreement, Mr. McGurk receives an annual base salary of \$600,000. In addition, Mr. McGurk received a bonus of \$112,500, payable in shares of Class A Common Stock, on March 31, 2011, and will be eligible for bonuses for each of the fiscal years ending March 31, 2012 through March

31, 2014, with the target bonus for such years of \$450,000, which bonuses shall be based on Company performance with goals to be established annually by the Compensation Committee. If the Company terminates Mr. McGurk's employment without cause or he resigns with good reason (as these terms are defined in the McGurk Employment Agreement), the McGurk Employment Agreement provides that he is entitled to continued payment of his base salary (and earned bonus) through March 31, 2014, as well as the accelerated vesting of any unvested options granted to him under the McGurk Employment Agreement. However, if the Company terminates Mr. McGurk's employment without cause or he resigns with good reason following a change in control of the Company, the McGurk Employment Agreement provides that he is entitled to a lump sum payment equal to his base salary (and earned bonus) times the greater of (i) two or (ii) the number of months remaining under his employment term divided by 12, as well as the accelerated vesting of any unvested options granted to him under the McGurk Employment Agreement. Also pursuant to the McGurk Employment Agreement, Mr. McGurk received an inducement grant of non-statutory options to purchase 4,500,000 shares of Class A Common Stock (the "Options"). The Options are grouped in three tranches, consisting of Options for 1,500,000 shares having an exercise price of \$1.50 per share, Options for 2,500,000 shares having an exercise price of \$3.00 per share and Options for 500,000 shares having an exercise price of \$5.00 per share. One-third of the Options in each tranche vest on December 23 of each of 2011, 2012 and 2013 and all of the Options have a term of ten (10) years.

Adam M. Mizel. On October 19, 2011, the company entered into an employment agreement with Adam M. Mizel (the "Mizel Employment Agreement"), which superseded the employment agreement between them dated August 11, 2009 (the "Previous Mizel Employment Agreement"). Pursuant to the New Mizel Employment Agreement, Mr. Mizel serves as the Chief Operating Officer and Chief Financial Officer of the Company. The term of the Mizel Employment Agreement commenced on October 3, 2011 and will end on August 31, 2013. Pursuant to both the Mizel Employment Agreement and the Previous Mizel Employment Agreement, Mr. Mizel receives an annual base salary of \$375,000, subject to increase for subsequent years at the Compensation Committee's discretion, and will be eligible for a bonus based on overall Company performance with goals to be established by the Compensation Committee. Also pursuant to the Previous Mizel Employment Agreement, Mr. Mizel received a grant of options to purchase 450,000 shares of Class A Common Stock. The options have an exercise price of \$1.37 and vest on the third anniversary of the date of grant or earlier if certain Class A Common Stock price targets are achieved, and have a term of six (6) years. The Mizel Employment Agreement further provides that Mr. Mizel is entitled to participate in all benefit plans provided to senior executives of the Company. If the Company terminates Mr. Mizel's employment without cause or he resigns with good reason (as these terms are defined in the Mizel Employment Agreement), the Mizel Employment Agreement provides that he is entitled to continued payment of his base salary (and earned bonus) for 12 months following his termination as well as the accelerated vesting of any unvested options granted to him under the Mizel Employment Agreement. However, if the Company terminates Mr. Mizel's employment without cause or he resigns with good reason following a change in control of the Company, the Mizel Employment Agreement provides that he is entitled to a lump sum payment equal to his base salary (and earned bonus) times the greater of (i) two or (ii) the number of months remaining under his employment term divided by 12, as well as the accelerated vesting of any unvested options granted to him under the Mizel Employment Agreement.

Gary S. Loffredo. On October 19, 2011, the company entered into an employment agreement with Gary S. Loffredo (the "Loffredo Employment Agreement"), which superseded the severance agreement between them dated September 10, 2010 (the "Severance Agreement"). Pursuant to the Loffredo Employment Agreement, Mr. Loffredo serves as the President of Digital Cinema, General Counsel and Secretary of the Company. The term of the Loffredo Employment Agreement commenced on October 3, 2011 and will end on October 3, 2013. Pursuant to the Loffredo Employment Agreement, Mr. Loffredo receives an annual base salary of \$315,000, subject to increase for subsequent years at the Compensation Committee's discretion, and will be eligible for a bonus based on overall Company performance with goals to be established by the Compensation Committee. The Loffredo Employment Agreement further provides that Mr. Loffredo is entitled to participate in all benefit plans provided to senior executives of the Company. If the Company terminates Mr. Loffredo's employment without cause or he resigns with good reason (as these terms are

defined in the Loffredo Employment Agreement), the Loffredo Employment Agreement provides that he is entitled to continued payment of his base salary (and earned bonus) for 12 months following his termination.

Equity Compensation Plans

The following table sets forth certain information, as of March 31, 2012, regarding the shares of Cinedigm's Class A Common Stock authorized for issuance under Cinedigm's equity compensation plan.

Plan	Number of shares of common stock issuable upon exercise of outstanding options and restricted stock units (1)	Weighted average of exercise price of outstanding options	Number of shares of common stock remaining available for future issuance
Cinedigm Second Amended and Restated 2000 Equity Incentive Plan ("the Plan") approved by shareholders	3,847,988	\$2.27	61,121 (2)
Cinedigm compensation plans not approved by shareholders (3)	4,500,000	\$2.72	—

(1) Shares of Cinedigm Class A Common Stock.

(2) Excludes 157,198 outstanding RSUs which may be settled in cash or shares of Class A Common Stock or a combination thereof, at the Company's discretion.

(3) Reflects stock options granted to Mr. McGurk which were not granted under the Plan. Of such options, 1/3 in each tranche vests on December 23 of each of 2011, 2012 and 2013. See the description of the McGurk Employment Agreement above for more details on the material terms of such grant.

Our Board originally adopted the Plan on June 1, 2000 and our shareholders approved the Plan by written consent in July 2000. Certain terms of the Plan were last amended and approved by our shareholders on September 14, 2010. Under the Plan, we may grant incentive and non-statutory stock options, stock, restricted stock, restricted stock units (RSUs), stock appreciation rights, performance awards and other equity-based awards to our employees, non-employee directors and consultants. The primary purpose of the Plan is to enable us to attract, retain and motivate our employees, non-employee directors and consultants. During the Last Fiscal Year, the number of shares of Class A Common Stock authorized for issuance under the Plan was reduced from 7,000,000 to 6,300,000. The term of the Plan expires on June 1, 2020. As of March 31, 2012, there were 3,690,790 stock options outstanding to purchase shares of Class A Common Stock, RSUs covering 157,198 shares of Class A Common Stock that may be settled in cash or shares of Class A Common Stock or a combination thereof, at the Company's discretion and there were 2,000,100 shares of Class A Common Stock available for issuance under the Plan.

As of July 16, 2012, stock options outstanding covering 4,260,640 shares of the Company's Class A Common Stock and RSUs covering 24,757 shares of Class A Common Stock that may be settled in cash or shares of Class A Common Stock or a combination thereof, at the Company's discretion, had been granted under the Plan. During the Last Fiscal Year, 93,628 stock options were exercised.

Options granted under the Plan expire ten years following the date of grant (or such shorter period of time as may be provided in a stock option agreement or five years in the case of incentive stock options granted to stockholders who own greater than 10% of the total combined voting power of the Company) and are subject to restrictions on transfer. Options granted under the Plan generally vest over periods up to three years. The Plan is administered by the Compensation Committee, and may be amended or terminated by the Board, although no amendment or termination may adversely affect the right of any individual with respect to any outstanding option without the consent of such individual. The Plan provides for the granting of incentive stock options with exercise prices of not

less than 100% of the fair market value of the Company's Class A Common Stock on the date of grant. Incentive stock options granted to stockholders of more than 10% of the total combined voting power of the Company must have exercise prices of not less than 110% of the fair market value of the Company's Class A Common Stock on the date of grant. Incentive and non-statutory stock options granted under the Plan are subject to vesting provisions, and exercise is generally subject to the continuous service of the optionee, except for consultants. The exercise prices and vesting periods (if any) for non-statutory options may be set at the discretion of the Board or the Compensation Committee. Upon a change of control of the Company, all options (incentive and non-statutory) that have not previously vested will vest immediately and become fully exercisable. Options covering no more than 500,000 shares may be granted to one participant during any calendar year unless pursuant to a multi-year award, in which case no more than options covering 500,000 shares per year of the award may be granted, and during which period no additional options may be granted to such participant.

Grants of restricted stock and restricted stock units are subject to vesting requirements, generally vesting over periods up to three years, determined by the Compensation Committee and set forth in notices to the participants. Grants of stock, restricted stock and restricted stock units shall not exceed 40% of the total number of shares available to be issued under the Plan.

Stock appreciation rights ("SARs") consist of the right to the monetary equivalent of the increase in value of a specified number of shares over a specified period of time. Upon exercise, SARs may be paid in cash or shares of Class A Common Stock or a combination thereof. Grants of SARs are subject to vesting requirements, similar to those of stock options, determined by the Compensation Committee and set forth in agreements between the Company and the participants. RSUs shall be similar to restricted stock except that no Class A Common Stock is actually awarded to the Participant on the grant date of the RSUs and the Compensation Committee shall have the discretion to pay such RSUs upon vesting in cash or shares of Class A Common Stock or a combination thereof.

Performance awards consist of awards of stock and other equity-based awards that are valued in whole or in part by reference to, or are otherwise based on, the market value of the Class A Common Stock, or other securities of the Company, and may be paid in shares of Class A Common Stock, cash or another form of property as the Compensation Committee may determine. Grants of performance awards shall entitle participants to receive an award if the measures of performance established by the Committee are met. Such measures shall be established by the Compensation Committee but the relevant measurement period for any performance award must be at least 12 months. Grants of performance awards shall not cover the issuance of shares that would exceed 20% of the total number of shares available to be issued under the Plan, and no more than 500,000 shares pursuant to any performance awards shall be granted to one participant in a calendar year unless pursuant to a multi-year award. The terms of grants of performance awards would be set forth in agreements between the Company and the participants. Our Class A Common Stock is listed for trading on the Nasdaq under the symbol "CIDM". The last reported closing price per share of our Class A Common Stock as reported by Nasdaq on _____, 2012 was \$____ per share. The following table sets forth certain information concerning grants of stock options and restricted stock made under the Company's Second Amended and Restated 2000 Equity Incentive Plan to the Company's Named Executives during the Last Fiscal Year.

GRANTS OF PLAN-BASED AWARDS

Name	Grant date	Estimated future payouts under equity incentive plan awards			All other stock awards: Number of shares of stock or units (#)(1)	Exercise or base price of option awards (\$/Sh)	Grant date fair value of stock and option awards (\$)
		Threshold (#)	Target (#)	Maximum (#)			

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Adam M. Mizel	8/17/11	--	--	--	375,000	1.49	347,158
	8/17/11	--	--	--	125,000	3.00	89,506
Gary S. Loffredo	8/17/11	--	--	--	225,000	1.49	208,295
	8/17/11	--	--	--	75,000	3.00	53,704

The following table sets forth certain information concerning outstanding equity awards of the Company's Named Executives at the end of the Last Fiscal Year. All outstanding stock awards reported in this table represent restricted stock that vests in equal annual installments over three years. At the end of the Last Fiscal Year, there were no unearned equity awards under performance-based plans.

OUTSTANDING EQUITY AWARDS AT MARCH 31, 2012

Name	OPTION AWARDS (1)				STOCK AWARDS (2)	
	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(3)
Christopher J.	—	1,500,000	(4)	1.50	12/23/2020	
McGurk	—	2,500,000	(4)	3.00	12/23/2020	
	—	500,000	(4)	5.00	12/23/2020	
Adam M. Mizel	—	450,000	(5)	1.37	8/11/2019	
	—	375,000	(16)	1.49	8/17/2021	
	—	125,000	(16)	3.00	8/17/2021	
Gary S. Loffredo	20,000	(13)		2.50	12/18/2012	
	50,000	(14)		5.00	11/4/2013	
	40,000	(15)		3.60	1/13/2015	
	10,000	(6)		10.25	3/8/2016	
	10,000	(7)		5.16	10/18/2017	
	40,000	(8)		1.37	8/11/2019	
	—	90,000	(9)	1.37	10/21/2019	
	—	64,795	(10)	1.40	6/11/2020	
	—	225,000	(16)	1.49	8/17/2021	

—	75,000	(16)	3.00	8/17/2021		
					90,000	(11) 159,300
					35,000	(12) 61,950

- (1) Reflects stock options granted under the Company's Second Amended and Restated 2000 Equity Incentive Plan, except options granted to Mr. McGurk.
- (2) Reflects restricted stock awards granted under the Company's Second Amended and Restated 2000 Equity Incentive Plan.
- (3) Reflects the market value of shares of stock that have not vested using the last reported closing price per share of the Class A Common Stock as reported by NASDAQ on March 31, 2011 of \$1.77.
-

- (4) Reflects stock options not granted under the Plan. Of such options, 1/3 in each tranche will vest on December 23 of each of 2011, 2012 and 2013.
- (5) Such options will vest on August 11, 2012 or earlier as follows: (a) on August 11, 2010, 1/3 of the options will vest if the Class A Common Stock has traded at \$2.75 or more for at least 10 consecutive trading days (a "10-day period") during the year ending on such date; 2/3 of the options will vest if the Class A Common Stock has traded at \$3.75 or more for a 10-day period during the year ending on such date; or all of the options will vest if the Class A Common Stock has traded at \$5.00 or more for a 10-day period during the year ending on such date; and (b) on August 11, 2011, 1/3 of the unvested options will vest if the Class A Common Stock has traded at \$2.75 or more for a 10-day period during the two years ending on such date; 2/3 of the unvested options will vest if the Class A Common Stock has traded at \$3.75 or more for a 10-day period during the two years ending on such date; or all of the unvested options will vest if the Class A Common Stock has traded at \$5.00 or more for a 10-day period during the year ending on such date.
- (6) Such options vested on September 14, 2006.
- (7) Of such options, 1/3 vested on October 18 of each 2008, 2009 and 2010.
- (8) Such options were issued in exchange for the termination of the AccessDM options and vested upon issuance on August 11, 2009.
- (9) Such options will vest on October 21, 2012 or earlier as follows: (a) on October 21, 2010, 1/3 of the options will vest if the Class A Common Stock has traded at \$2.75 or more for at least 10 consecutive trading days (a "10-day period") during the year ending on such date; 2/3 of the options will vest if the Class A Common Stock has traded at \$3.75 or more for a 10-day period during the year ending on such date; or all of the options will vest if the Class A Common Stock has traded at \$5.00 or more for a 10-day period during the year ending on such date; and (b) on October 21, 2011, 1/3 of the unvested options will vest if the Class A Common Stock has traded at \$2.75 or more for a 10-day period during the two years ending on such date; 2/3 of the unvested options will vest if the Class A Common Stock has traded at \$3.75 or more for a 10-day period during the two years ending on such date; or all of the unvested options will vest if the Class A Common Stock has traded at \$5.00 or more for a 10-day period during the year ending on such date.
- (10) Of such total options, 1/3 will vest on June 11 of each 2011, 2012 and 2013.
- (11) Reflects restricted stock units ("RSUs") awarded in May 2008 for services rendered in all capacities during the fiscal year ended March 31, 2008, which was approved by the shareholders at the Company's 2008 Annual Meeting of Stockholders held on September 4, 2008. The Company may pay such restricted stock units upon vesting in cash or shares of Class A Common Stock or a combination thereof at the Company's discretion. All such restricted stock units will vest on May 9, 2011, or earlier as follows: (a) On May 9, 2009, 1/3 of the RSUs will vest if the Class A Common Stock has traded at \$7.00 or more for at least 10 consecutive trading days (a "10-day period") during the year ending on such date; 2/3 of the RSUs will vest if the Class A Common Stock has traded at \$9.50 or more for a 10-day period during the year ending on such date; and (b) On May 9, 2010, 1/3 of the unvested RSUs will vest if the Class A Common Stock has traded at \$7.00 or more for a 10-day period during the two years ending on such date; 2/3 of the unvested RSUs will vest if the Class A Common Stock has traded at \$9.50 or more for a 10-day period during the two years ending on such date; or all of the unvested RSUs will vest if the Class A Common Stock has traded at \$12.00 or more for a 10-day period during the year ending on such date. In May 2011, the Compensation Committee amended the vesting date of Mr. Loffredo's award to August 17, 2011.
- (12) Such restricted stock units will vest on April 23, 2012, or earlier as follows: (a) On April 23, 2010, 1/3 of the RSUs will vest if the Class A Common Stock has traded at \$7.00 or more for at least 10 consecutive trading days (a "10-day period") during the year ending on such date; 2/3 of the RSUs will vest if the Class A Common Stock has traded at \$9.50 or more for a 10-day period during the year ending on such date; and (b) On April 23, 2011, 1/3 of the unvested RSUs will vest if the Class A Common Stock has traded at \$7.00 or more for a 10-day period during the two years ending on such date; 2/3 of the unvested RSUs will vest if the Class A Common Stock has traded at \$9.50 or more for a 10-day period during the two years ending on such date; or all of the unvested RSUs will vest if the Class A Common Stock has traded at \$12.00 or more for a 10-day period during the year ending

on such date.

- (13) Of such options, 1/3 vested on December 18 of each of 2003, 2004 and 2005.
 - (14) Of such options, 1/3 vested on November 4 of each of 2004 and 2005 and 1/3 vested on September 14, 2006.
 - (15) Such options vested on December 1, 2005.
 - (16) Of such total options, 1/4 will vest on August 17 of each 2012, 2013, 2014 and 2015.
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Directors

The following table sets forth certain information concerning compensation received by the Company's Directors for services rendered as a director during the Last Fiscal Year.

Name	Fees		Total (\$)
	Earned or Paid in Cash Awards (\$)	Stock Awards (\$)(3)	
Peter C. Brown	23,000	50,000	73,000
Wayne L. Clevenger (1)	13,000	50,000	63,000
Matthew W. Finlay (1)	13,000	50,000	63,000
Edward A. Gilhuly (2)	13,000	50,000	63,000
Martin B. O'Connor	13,000	50,000	63,000
Laura Nisonger Sims (2)	13,000	50,000	63,000

- (1) Such cash payments were paid to MidMark Investments.
(2) Such cash payments were paid to Sageview Capital.
(3) The annual stock retainer for services during the Last Fiscal Year have not yet been issued.

Each director who is not an employee of the Company is compensated for services as a director by receiving an annual cash retainer for Board service of \$8,000; an annual stock retainer of \$50,000 in Common Stock (based on grant date stock price); a committee retainer of \$1,000 for participation on one or more committees (maximum of \$1,000); and a per meeting fee for in-person attendance at Board meetings of \$1,000. In addition to the cash and stock retainers paid to all non-employee Directors for Board service, the Lead Independent Director receives a fixed amount to be determined by the Nominating and Governance Committee, in lieu of committee fees. Additional compensation as a chairperson is paid if the Lead Independent Director chairs a committee. The Company requires that Directors agree to retain 100% of their net after tax shares received for board service until separation from the Company. In addition, the Directors are reimbursed by the Company for expenses of traveling on Company business, which to date has consisted of attending Board and Committee meetings.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires the Company's directors, executive officers and persons who beneficially own more than 10% of its Common Stock to file reports of ownership and changes in ownership with the Commission and to furnish the Company with copies of all such reports they file. Based on the Company's review of the copies of such forms received by it, or written representations from certain reporting persons, the Company believes that none

of its directors, executive officers or persons who beneficially own more than 10% of the Company's Common Stock failed to comply with Section 16(a) reporting requirements in the Company's Last Fiscal Year, except for Messrs. Clevenger and Finlay, each of whom failed to timely file two Form 4s regarding one transaction each, and Messrs. Mizel and Loffredo, each of whom failed to timely file two Form 4s regarding one transaction each.

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The Audit Committee oversees the Company's financial reporting process on behalf of the Board. In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed with management the audited financial

statements in the Form 10-K, including a discussion of the acceptability of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements.

The Audit Committee reviewed and discussed with the independent auditors, who are responsible for expressing an opinion on the conformity of those audited financial statements with the standards of the Public Company Accounting Oversight Board, the matters required to be discussed by Statements on Auditing Standards (SAS 61), as may be modified or supplemented, and their judgments as to the acceptability of the Company's accounting principles and such other matters as are required to be discussed with the Audit Committee under the standards of the Public Company Accounting Oversight Board.

In addition, the Audit Committee has discussed with the independent auditors the auditors' independence from management and the Company, including receiving the written disclosures and letter from the independent auditors as required by the Independence Standards Board Standard No. 1, as may be modified or supplemented, and has considered the compatibility of any non-audit services with the auditors' independence.

The Audit Committee discussed with the Company's independent auditors the overall scope and plans for their audit. The Audit Committee meets with the independent auditors, with and without management present, to discuss the results of their examinations and the overall quality of the Company's financial reporting.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board, and the Board approved, that the audited financial statements be included in the Form 10-K for the year ended March 31, 2012 for filing with the SEC.

Respectfully submitted,
The Audit Committee of the Board of Directors
Matthew W. Finlay, Chairman
Peter C. Brown
Laura Nisonger Sims

THE FOREGOING AUDIT COMMITTEE REPORT SHALL NOT BE "SOLICITING MATERIAL" OR BE DEEMED "FILED" WITH THE SEC, NOR SHALL SUCH INFORMATION BE INCORPORATED BY REFERENCE INTO ANY FILING UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE EXCHANGE ACT, EXCEPT TO THE EXTENT THE COMPANY SPECIFICALLY INCORPORATES IT BY REFERENCE INTO SUCH FILING.

INDEPENDENT AUDITORS

EisnerAmper LLP served as the independent registered public accounting firm to audit the Company's consolidated financial statements since the fiscal year ended March 31, 2005 and the Board has appointed EisnerAmper LLP to do so again for the fiscal year ending March 31, 2013.

The Company's Audit Committee has adopted policies and procedures for pre-approving all non-audit work performed by EisnerAmper LLP for the fiscal years ended March 31, 2012 and 2011. In determining whether to approve a particular audit or permitted non-audit service, the Audit Committee will consider, among other things, whether the service is consistent with maintaining the independence of the independent registered public accounting firm. The Audit Committee will also consider whether the independent registered public accounting firm is best positioned to provide the most effective and efficient service to our Company and whether the service might be expected to enhance our ability to manage or control risk or improve audit quality. Specifically, the Audit Committee has pre-approved the use of EisnerAmper LLP for detailed, specific types of services within the following categories of non-audit services:

acquisition due diligence and audit services; tax services; and reviews and procedures that the Company requests Eisner to undertake on matters not required by laws or regulations. In each case, the Audit Committee has required management to obtain specific pre-approval from the Audit Committee for any engagements.

The aggregate fees billed for professional services by EisnerAmper LLP for these various services were:

Type of Fees	For the fiscal years ended	
	March 31,	
	2012	2011
(1) Audit Fees	\$ 461,662	\$ 415,048
(2) Audit-Related Fees	—	—
(3) Tax Fees	—	—
(4) All Other Fees	—	—
	\$ 461,662	\$ 415,048

In the above table, in accordance with the SEC's definitions and rules, "audit fees" are fees the Company paid EisnerAmper LLP for professional services for the audit of the Company's consolidated financial statements for the fiscal years ended March 31, 2012 and 2011 included in Form 10-K and review of consolidated financial statements incorporated by reference into Form S-3 and Form S-8 and included in Form 10-Qs and for services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements; "audit-related fees" are fees for assurance and related services that are reasonably related to the performance of the audit or review of the Company's consolidated financial statements; "tax fees" are fees for tax compliance, tax advice and tax planning; and "all other fees" are fees for any services not included in the first three categories. All of the services set forth in sections (1) through (4) above were approved by the Audit Committee in accordance with the Audit Committee Charter.

For the fiscal years ended March 31, 2012 and 2011, the Company retained a firm other than EisnerAmper LLP for tax compliance, tax advice and tax planning.

CERTIFICATE OF AMENDMENT
TO
FOURTH AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
CINEDIGM DIGITAL CINEMA CORP.

The undersigned, being the President of Cinedigm Digital Cinema Corp., a Delaware corporation (the “Corporation”), pursuant to Section 242 of the General Corporation Law of the State of Delaware, as amended (the “DGCL”), does hereby certify as follows:

1. Pursuant to a unanimous written consent of the Board of Directors of the Corporation (the “Board”), the Board adopted resolutions (the “Amending Resolutions”) to further amend the Corporation’s Fourth Amended and Restated Certificate of Incorporation of the Corporation, as filed with the Delaware Secretary of State on November 14, 2003;
2. Pursuant to a majority vote of the Corporation’s Shareholders in accordance with Section 242 of the DGCL, the holders of the Corporation’s outstanding capital stock voted in favor of the Amending Resolutions; and
3. The Amending Resolutions were duly adopted in accordance with Section 242 of the DGCL.

NOW, THEREFORE, to effect the Amending Resolutions, Article Fourth of the Certificate of Incorporation shall be deleted in its entirety and replaced as follows:

“FOURTH: Capitalization: The total number of shares of capital stock that the Corporation shall have authority to issue is One Hundred Thirty-Five Million (135,000,000) shares as follows: (i) One Hundred Eighteen Million, Seven Hundred Fifty-Nine Thousand (118,759,000) shares of Class A Common Stock, par value \$0.001 per share (the “Class A Common Stock”); (ii) One Million Two Hundred Forty-One Thousand (1,241,000) shares of Class B Common Stock, par value \$0.001 per share (the “Class B Common Stock”); and (iii) Fifteen Million (15,000,000) shares of preferred stock, par value \$0.001 per share (the “Preferred Stock”), of which the Board of Directors shall have the authority by resolution or resolutions to fix all of the powers, preferences and rights, and the qualifications, limitations and restrictions of the Preferred Stock permitted by the Delaware General Corporation Law and to divide the Preferred Stock into one or more class and/or classes and designate all of the powers, preferences and rights, and the qualifications, limitations and restrictions of each class permitted by the Delaware General Corporation Law.

Except as otherwise provided by law or this Fourth Amended and Restated Certificate of Incorporation (this “Certificate of Incorporation”), the holders of the Class A Common Stock and the Class B Common Stock, shall have all the same rights and privileges as Common Stock, except that the holders of Class A Common Stock and the Class B Common Stock shall be entitled to vote on all matters to be voted on by the stockholders of the Corporation on the following basis: (i) each share of the Class A Common Stock shall entitle the holder thereof to one vote, and (ii) each

share of Class B Common Stock shall entitle the holder thereof to ten votes.

Each share of Class B Common Stock may also be converted, at any time at the option of the holder thereof, into one (1) validly issued, fully paid and non-assessable share of Class A Common Stock (subject to adjustment to reflect stock splits, consolidations, recapitalizations and reorganizations). Each holder of Class B Common Stock that desires to convert its shares of Class B Common Stock, into shares of Class A Common Stock shall surrender the certificate or certificates therefor, duly endorsed, at the office of the Corporation or of any transfer agent for the Class B Common Stock and shall give written notice to the Corporation at such office that such holder elects to convert the same and shall state therein the number of shares of Class B Common Stock being converted. Thereupon the Corporation shall promptly issue and deliver to such holder a certificate or certificates for the number of shares of Class A Common Stock to which such holder is entitled, together with a cash adjustment of any fraction of a share as hereinafter provided. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the certificate or certificates representing the shares of Class B Common Stock to be converted, and the person or entity entitled to receive the shares of Class A Common Stock issuable upon such conversion shall be treated for all purposes as the record holder of such shares of Class A Common Stock on such date.

At the option of the holders of fifty-one (51%) percent of the shares of outstanding Class B Common Stock, voting as a class, each share of Class B Common Stock shall be converted (the "Class B Conversion") into one (1) validly issued, fully paid and non-assessable share of Class A Common Stock (subject to adjustment to reflect stock splits, stock dividends, consolidations, recapitalizations, reorganizations or other like occurrences). All holders of record of shares of Class B Common Stock, then outstanding shall be given at least ten (10) days' prior written notice of the date fixed (the "Conversion Date") and place designated by the Corporation for mandatory conversion of all such shares of Class B Common Stock, pursuant to this paragraph. Such notice shall be sent by first-class or registered mail, postage prepaid, to each record holder of Class B Common Stock, at such holder's address last shown on the records of the Corporation or of any transfer agent for the Class B Common Stock. Each holder of Class B Common Stock shall surrender the certificate or certificates, duly endorsed, at the office of the Corporation or any transfer agent for the Class B Common Stock by the Conversion Date. Thereupon the Corporation shall promptly issue and deliver to such holder a certificate or certificates for the number of shares of Class A Common Stock to which such holder is entitled, together with a cash adjustment of any fraction of a share as hereinafter provided. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the certificate or certificates representing the shares of Class B Common Stock to be converted, and the person or entity entitled to receive the shares of Class A Common Stock issuable upon such conversion shall be treated for all purposes as the record holder of such shares of Class A Common Stock on such date; provided, however, that if such certificate or certificates are not surrendered by such holder by the Conversion Date, such conversion shall be deemed to have been made on the Conversion Date and such holder thereafter shall be deemed to have a right to receive only such number of shares of Class A Common Stock into which such holder's shares of Class B Common Stock shall be converted in accordance herewith.

Upon the effectiveness (the "Effective Date") of the Certificate of Amendment filed by the Corporation on September 18, 2003, each five (5) shares of Class A and B Common Stock issued and outstanding on the Effective Date (the "Old Common Stock") shall be converted into one (1) share of Class A and B Common Stock, respectively (the "New Common Stock"), subject to the treatment of fractional share interests as described below. A holder of such five (5) shares shall be entitled to receive, upon surrender of a stock certificate or stock certificates representing such Old Common Stock (the "Old Certificates," whether one or more) to the Corporation for cancellation, a certificate of

certificates (the “New Certificates,” whether one or more) representing the number of whole shares of the New Common Stock into which and for which the shares of the Old Common Stock formerly represented by such Old Certificates so surrendered are reclassified under the terms hereof. No certificates representing fractional share interests in New Common Stock will be issued, and no such fractional share interest will entitle the holder thereof to vote, or to any rights of a stockholder of the Corporation. In lieu of such fractional shares, each holder of Class Old Common Stock who or that would otherwise have been entitled to a fraction of a share of such common stock upon surrender of such holder’s Old Certificates will be entitled to receive one sole share of such common stock. If more than one Old Certificate shall be surrendered at one time for the account of the same stockholder, the number of full shares of New Common Stock for which New Certificates shall be issued shall be computed on the basis of the aggregate number of shares represented by the Old Certificates so surrendered. In the event that the Corporation determines that a holder of Old Certificates has not tendered all his or her certificates for exchange, the Corporation shall carry forward any fractional share until all certificates of that holder have been presented for exchange such that any stockholder will not be entitled to receive more than one share of New Common Stock in lieu of fractional shares. If any New Certificate is to be issued in a name other than that in which the Old Certificates surrendered for exchange are issued, the Old Certificates so surrendered shall be properly endorsed and registered in such name or names as such holder may direct, subject to compliance with applicable laws and the Third Amended and Restated Stockholders’ Agreement, as amended, supplemented, restated or otherwise modified from time to time, among the Corporation and certain of its stockholders to the extent such designation shall involve a transfer, and the person or persons requesting such exchange shall affix any requisite stock transfer tax stamps to the Old Certificates surrendered, or provide funds for their purchase, or establish to the satisfaction of the Corporation that such taxes are not payable. From and after the Effective Date, the amount of capital represented by the shares of the New Common Stock into which and for which the shares of the Old Common Stock are reclassified under the terms hereof shall be the same as the amount of capital represented by the shares of Old Common Stock so reclassified, until thereafter reduced or increased in accordance with applicable law.”

Except as specifically set forth herein, the Certificate of Incorporation shall not be amended, modified or otherwise altered by this Certificate of Amendment.

IN WITNESS WHEREOF, the Corporation has caused this Amendment to the Certificate of Incorporation of Cinedigm Digital Cinema Corp. to be signed by _____, its _____, this ___ day of _____, 2012, who acknowledges that the foregoing is the act and deed of the Corporation and that the facts stated herein are true.

By:
Name:
Title:

AMENDMENT NO. 6
TO
SECOND AMENDED AND RESTATED
CINEDIGM DIGITAL CINEMA CORP. 2000 EQUITY INCENTIVE PLAN

AMENDMENT NO. 6, dated as of _____, 2012 (this "Amendment"), to the Second Amended and Restated 2000 Equity Incentive Plan (as amended, the "Plan") of Cinedigm Digital Cinema Corp. (f/k/a Access Integrated Technologies, Inc.), a Delaware corporation (the "Corporation").

WHEREAS, the Corporation maintains the Plan, effective as of June 1, 2000; and

WHEREAS, the Board of Directors of the Corporation deems it to be in the best interest of the Corporation and its stockholders to amend the Plan in order to increase the maximum number of shares of the Corporation's Class A Common Stock, par value \$.001 per share, which may be issued and sold under the Plan from 6,300,000 shares to 9,300,000 shares.

NOW, THEREFORE, BE IT RESOLVED the Plan is hereby amended as follows:

1. The first sentence of Section 5.2 shall be revised and amended to read as follows:

"The total number of shares of Stock (including Restricted Stock, if any) optioned or granted under this Plan during the term of the Plan shall not exceed 9,300,000 shares."

2. This Amendment shall be effective as of the date first set forth above.

3. In all respects not amended, the Plan is hereby ratified and confirmed and remains in full force and effect.

CINEDIGM DIGITAL CINEMA CORP.

By:

Name:

Title:

CINEDIGM DIGITAL CINEMA CORP.
PROXY

This Proxy is Solicited on Behalf of the Board of Directors

The undersigned hereby appoints Christopher J. McGurk and Gary S. Loffredo, or either of them, with full power of substitution, as proxies to vote at the Annual Meeting of Stockholders of CINEDIGM DIGITAL CINEMA CORP. (the "Company") to be held on September 12, 2012 at 2:00 p.m., local time, and at any adjournment or adjournments thereof, hereby revoking any proxies heretofore given, to vote all shares of Common Stock of the Company held or owned by the undersigned as directed on the reverse side of this proxy card, and, in their discretion, upon such other matters as may come before the meeting. **IF NO DIRECTION IS MADE, SHARES WILL BE VOTED FOR EACH OF THE PROPOSALS BELOW.** In addition, the shares will be voted as the Board of Directors of the Company may recommend with respect to any other business as may properly come before the meeting or any adjournment thereof.

(Continued and to be signed on the reverse side)

ANNUAL MEETING OF STOCKHOLDERS OF
CINEDIGM DIGITAL CINEMA CORP.
September 12, 2012

Please date, sign and mail your Proxy Card in the envelope provided as soon as possible.

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS. PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE [X]

1. Election of nine (9) directors

FOR ALL NOMINEES	[]	Christopher J. McGurk Adam M. Mizel
WITHHOLD AUTHORITY FOR ALL NOMINEES	[]	Gary S. Loffredo Peter C. Brown Wayne L. Clevenger Matthew W. Finlay
FOR ALL EXCEPT (see instructions below)	[]	Edward A. Gilhuly Martin B. O'Connor, II Laura Nisonger Sims

INSTRUCTION: to withhold authority to vote for any individual nominee(s), mark "FOR ALL EXCEPT" and fill in the circle next to each nominee you wish to withhold as shown here: ·

2. Proposal to amend the Company's Certificate of Incorporation to increase the number of shares authorized for issuance and to designate such additional shares as Class A Common Stock and to redesignate the unissued shares of Class B Common Stock as Class A Common Stock.

FOR	AGAINST	ABSTAIN
[]	[]	[]

3. Proposal to amend the Company's Second Amended and Restated 2000 Equity Incentive Plan to increase the number of shares of Class A Common Stock available for issuance thereunder.

FOR	AGAINST	ABSTAIN
[]	[]	[]

4. Proposal to ratify the appointment of EisnerAmper LLP as our independent auditors for the fiscal year ending March 31, 2013.

FOR	AGAINST	ABSTAIN
[]	[]	[]

MARK "X" HERE IF YOU PLAN TO ATTEND THE MEETING. "

Signature of
Stockholder:

Date:

Signature of
Stockholder:

Date:

NOTE: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as an executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.