DIVIDEND & INCOME FUND, INC.
Form 497
November 17, 2011

DIVIDEND AND INCOME FUND, INC.
(formerly Chartwell Dividend and Income Fund, Inc.)

Up to 5,680,000 Shares of Common Stock ($0.01 par value per Share)
Issuable upon Exercise of Non-Transferable Rights to Subscribe for Such Shares

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Dividend and Income Fund, Inc. (the “Fund”) is issuing non-transferable rights (the “Rights”) to its holders of common stock (the “Shares”). You will receive one Right for each Share of the Fund you own as of the close of business on November 14, 2011 (the “Record Date”) rounded up to the nearest number of Rights evenly divisible by three. These Rights entitle you to buy new Shares of the Fund. For every three Rights that you receive, you can buy one new Share of the Fund, plus, in certain circumstances, additional new Shares pursuant to an over-subscription privilege (discussed in this prospectus). The new Shares issued in this rights offering also will be listed on the New York Stock Exchange (the “NYSE”) under the symbol “DNI.”

This rights offering provides existing Fund stockholders with the opportunity to purchase additional Shares at a price below both market and net asset value (“NAV”) without paying any commissions. The subscription price per Share (the “Subscription Price”) will be 95% of the lower of (a) the Fund’s NAV per Share or (b) the market price per Share. For this purpose, the NAV per Share will be determined as of December 23, 2011, unless terminated or extended (the “Expiration Date”). The market price per Share will be the average of the volume weighted average sales price of a Share on the NYSE on the Expiration Date and the four preceding trading days. As of November 11, 2011, the NAV per Share was $4.28 and the average of the volume weighted average sales price of a Share on the NYSE on November 11, 2011 and the four preceding trading days was $3.66 for an estimated Subscription Price of $3.48 per Share. Because the Expiration Date is the last day of the Subscription Period (defined below), stockholders who choose to exercise their Rights will not know the actual Subscription Price at the time they exercise such Rights. The Fund may increase the number of Shares subject to subscription through the over-subscription privilege by up to 25%, or up to an additional 1,420,000 Shares, for an aggregate total of 7,100,000 Shares.

IMPORTANT DATES TO REMEMBER: The Subscription Period runs from November 14, 2011 to 5:00 p.m. ET, on December 23, 2011, the Expiration Date, subscription certificates and payment for Shares are due December 23, 2011, notices of guaranteed delivery are due December 23, 2011, and payment for Shares pursuant to notices of guaranteed delivery are due December 29, 2011. Each of the foregoing dates may be extended, or the rights offering terminated, as described in this prospectus.

Stockholders who do not exercise their Rights will, upon the completion of the rights offering, own a smaller proportional interest in the Fund than he or she does now. In addition, because the Subscription Price per Share will be less than the then current NAV per Share, the completion of the rights offering will result in an immediate dilution of the NAV per Share for all existing stockholders. Such dilution could be substantial. If such dilution occurs, stockholders will experience a decrease in the NAV per Share held by them, irrespective of whether they exercise all or any portion of their Rights. The Fund cannot state precisely the extent of this dilution because the Fund does not know what the NAV will be when the rights offering expires, how many Shares will be subscribed for, or the exact expenses of the rights offering. Volatility in the market price of Shares of the Fund may increase or decrease during the rights offering. For further information on the effects of dilution, see “Special Considerations and Risk Factors” on page 43 of this prospectus.

For additional information, please call The Altman Group (the “Information Agent”) toll free at 1-877-732-3616.

(Continued on the following page)

THE SEC HAS NOT APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Estimated Subscription Price(1)	Sales Load(2)	Estimated Proceeds to the Fund(1)(3)
Per Share	$ 3.48	None	$ 3.48
Total(4)	$ 3.48	None	$ 19,766,400

(Footnotes on the following page)

The date of this prospectus is November 14, 2011.

The Fund is a diversified, closed end management investment company. The Fund's primary investment objective is to seek high current income. Capital appreciation is a secondary objective. The Fund seeks to achieve its objectives by investing, under normal circumstances, at least 50% of its total assets in income generating equity securities, including dividend paying common stocks, convertible securities, preferred stocks, securities of registered investment companies (including, but not limited to, closed end and open end management investment companies, and business development companies) (collectively, "investment companies"), exchange traded funds organized as investment companies or otherwise, real estate investment trusts, depositary receipts, and other equity related securities (collectively, "Income Generating Equity Securities"). The Fund may invest in fixed income securities, including bonds issued by domestic and foreign corporate entities and U.S. government securities. The Fund may also invest in securities of other issuers, including investment companies, exchange traded funds and real estate investment trusts, deemed by the Fund's investment manager not to be Income Generating Equity Securities based on the issuer's income generation, objectives, policies, holdings, or similar criteria. Securities in which the Fund may invest include high yield, high risk securities which are rated below investment grade, including the lowest rating categories, or are unrated but are determined by the Fund's investment manager to be of comparable quality, and are considered speculative and subject to certain risks that may be greater than those of higher rated securities. The Fund attempts to reduce individual security risk by diversifying across many industries and asset classes. The Fund has used leverage since its inception and expects to do so in the future; however, there can be no assurance that the Fund will continue to engage in any leveraging techniques. There is no assurance the Fund will achieve its investment objectives.

Exercising your Rights and investing in Shares of the Fund involves risks. Please see "Special Considerations and Risk Factors" beginning on page 43 of this prospectus to learn more about the risks you should carefully consider before exercising any Rights to subscribe for Shares, including the risks of investing in below investment grade securities and the risks of leverage. Certain of these risks are summarized in "Prospectus Summary—Special Considerations and Risk Factors" beginning on page 10 of this prospectus.

The NAV per Share on November 11, 2011 was $4.28. On November 11, 2011, the last reported sale price of a Share as reported by the NYSE was $3.64.

(Footnotes from the previous page)

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(1) Estimated on the basis of 95% of the lower of the NAV per Share at the close of trading on November 11, 2011 or the average of the volume weighted average sales price of a Share on the NYSE on November 11, 2011 and the four preceding trading days.

(2) This is not an underwritten offering, and there will be no underwriting discounts or commissions. The Rights are being offered directly by the Fund without the services of an underwriter or dealer.

(3) Before the deduction of rights offering expenses incurred by the Fund, estimated to be $375,000. Subscription proceeds received prior to the Expiration Date will be deposited in a segregated account pending allocation and distribution of Shares. Interest, if any, on those proceeds will be paid to and retained by the Fund regardless of whether Shares are issued by the Fund and will not be used as credit towards the purchase of Shares.

(4) Assumes all Rights are exercised at the Estimated Subscription Price. Pursuant to the over-subscription privilege, the Fund may, at the discretion of its Board of Directors, increase the number of Shares subject to subscription by up to 25% of the Shares offered hereby. If the Fund increases the number of Shares subject to subscription by 25%, the

Total Estimated Subscription Price will be $3.48 and the Total Estimated Proceeds to the Fund will be $24,708,000.

This prospectus contains information you should know before investing. Please read it carefully before investing and keep it for future reference. Additional information about the Fund, including a Statement of Additional Information dated November 14, 2011 ("SAI"), which SAI hereby is incorporated by reference in its entirety into this prospectus, has been filed with the United States Securities and Exchange Commission ("SEC"). You may obtain additional information about the Fund, including its SAI and annual and semi-annual reports, without charge (i) upon request, by calling the Information Agent toll free at 1-877-732-3616; (ii) on the Fund's website at http://www.dividendandincomefund.com; and (iii) on the SEC's website at http://www.sec.gov. The Shares do not represent a deposit or obligation of, and are not guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency. All questions and inquiries relating to the rights offering should be directed to the Information Agent, toll free at 1-877-732-3616.

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You should rely only on the information contained or incorporated by reference in this prospectus. No person has been authorized to give any information or to make any representations other than those contained in this prospectus in connection with the offer contained herein and, if given or made, such information or representations must not be relied upon as having been authorized by the Fund. Offers to sell, and offers to buy, Shares may only be made and are valid only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of Shares. To the extent required by law, the Fund undertakes to amend or supplement this prospectus to reflect any material changes to the Fund after the date of this prospectus.

PROSPECTUS SUMMARY

This summary highlights some of the information set forth elsewhere in this prospectus. It is not complete and may not contain all of the information that you may want to consider. You should read carefully the more detailed information set forth under “Special Considerations and Risk Factors” and the other information included or incorporated by reference in this prospectus.

THE OFFERING

General Terms:	Dividend and Income Fund, Inc. (the “Fund”) is issuing to its stockholders of record as of the close of business on November 14, 2011 (the “Record Date”), non-transferable rights (“Rights”) to subscribe for up to an aggregate of 5,680,000 new shares of the Fund’s common stock (“Shares”), par value $0.01 per Share. In certain circumstances described below under “Over-Subscription Privilege,” the Fund may increase the number of Shares subject to subscription by up to 25%, or up to an additional new 1,420,000 Shares, for an aggregate total of 7,100,000 new Shares. Each Record Date stockholder will receive one Right for each outstanding Share owned on the Record Date rounded up to the nearest number of Rights evenly divisible by three. The Rights entitle each holder to purchase one new Share for each three Rights held. The Fund will not issue fractional Shares upon the exercise of fewer than three Rights. A Record Date stockholder’s right to acquire one Share for every three Rights held during the Subscription Period (defined below) is referred to as the “Primary Subscription” and the Shares issued through the Primary Subscription are referred to as the “Primary Subscription Shares.” If a Record Date stockholder exercises all of the Rights he or she received in the Primary Subscription, that stockholder also may subscribe for additional Shares pursuant to the Over-Subscription Privilege (defined below). See “The Rights Offering – Terms of the Offering.”
Purpose of the Offering:	The Board of Directors of the Fund (the “Board”) has determined that it would be in the best interests of the Fund and its stockholders to increase the assets of the Fund and that the rights offering is currently an effective and efficient way to raise additional assets for the Fund. In connection with its conclusion to approve the rights offering, the Board considered, among other things, the following factors: (i) the rights offering provides an exclusive opportunity to Record Date stockholders to purchase Shares of the Fund at a price below both the then current market price and the Fund’s net asset value (“NAV”) per share; (ii) stockholders who do not fully exercise their Rights will own, upon completion of the rights offering, a smaller proportional

interest in the Fund than they owned before the rights offering and that the completion of the rights offering will result in an immediate dilution of the NAV per Share for all existing stockholders, irrespective of whether they exercise all or a portion of their Rights; (iii) the increased equity capital to be available upon completion of a fully subscribed rights offering, including Shares issued pursuant to the Over-Subscription Privilege, that could be used for making additional investments consistent with the Fund's investment objectives; (iv) various other capital-raising alternatives, including conducting a secondary offering of Shares, conducting at-the-market offerings, and conducting a transferable rights offering and the benefits and drawbacks of conducting a transferable versus a non-transferable rights offering; (v) the size of the rights offering in relation to the number of Shares outstanding; (vi) the belief of Bexil Advisers LLC (the "Investment Manager") that it would be in the best interests of the Fund and its stockholders to increase the assets of the Fund thus permitting the Fund to be in a better position to more fully take advantage of investment opportunities that may arise and seek to enhance the Fund's future returns; (vii) the Investment Manager's belief that a larger number of outstanding Shares could increase the level of market interest in and visibility of the Fund and improve the trading liquidity of the Fund's Shares; (viii) that the increase in assets may result in a modestly lower expense ratio for the Fund by spreading the Fund's fixed costs over a larger asset base; (ix) the potential impact of the rights offering on the Fund's managed distribution policy; and (x) that the Investment Manager has an inherent conflict of interest in recommending the rights offering because the Fund pays fees to the Investment Manager based on a percentage of the Fund's assets and the Investment Manager will benefit from the increase in Fund assets that is expected to result from the rights offering. The Board also considered that one of the Fund's Directors who voted to authorize the rights offering is an "interested person" of the Investment Manager within the meaning of the Investment Company Act of 1940, as amended ("1940 Act"), due to his affiliation with the Investment Manager and may benefit indirectly from the rights offering because of his interest in the Investment Manager. See "The Rights Offering — Purpose of the Offering."

Subscription Price:	The subscription price per Share (the “Subscription Price”) will be 95% of the lower of (a) the Fund’s NAV per Share or (b) the market price per Share. For this purpose, the NAV per Share will be determined as of December 23, 2011, the date on which the rights offering expires, unless terminated or extended (the “Expiration Date”). The market price per Share will be the average of the volume weighted average sales price of a Share on the New York Stock Exchange (the “NYSE”) on the Expiration Date and the four preceding trading days. As of November 11, 2011 the NAV per Share was $4.28 and the average of the volume weighted average sales price of a Share on the NYSE on November 11, 2011 and the four preceding trading days was $3.66 for an estimated Subscription Price of $3.48 per Share. Because the Expiration Date is the last day of the Subscription Period, Record Date stockholders who choose to exercise their Rights will not know the actual Subscription Price at the time they exercise such Rights. See “The Rights Offering – The Subscription Price.”

Subscription Period:	Rights may be exercised at any time during the offering period (the "Subscription Period") which starts on November 14, 2011 and ends at 5:00 p.m., ET, on December 23, 2011, the Expiration Date, unless terminated or extended. See "The Rights Offering –Terms of the Offering."
Over-Subscription Privilege:	Record Date stockholders who fully exercise their Rights in the Primary Subscription may subscribe for the Primary Subscription Shares not subscribed for by other Rights holders. If sufficient Primary Subscription Shares are available after completion of the Primary Subscription, all over-subscription requests will be honored in full. To satisfy over-subscription requests, the Fund may, at the discretion of the Board, increase the number of Shares subject to subscription by up to 25% of the Primary Subscription Shares (the "Secondary Subscription Shares"), for an aggregate total of 7,100,000 new Shares. Primary Subscription Shares not bought in the Primary Subscription, together with all Secondary Subscription Shares, if any, are called "Excess Shares." The entitlement to buy Excess Shares is called the "Over-Subscription Privilege." Over-Subscription Privilege requests are subject to certain limitations and subject to allotment, which is more fully discussed under "The Rights Offering—Over-Subscription Privilege."
Methods for Exercising Rights:	If you own your Shares through an intermediary, such as a broker, bank, or trust company, or other financial institution or nominee you may contact your intermediary, who can arrange, on your behalf, to guarantee delivery of a properly completed and executed subscription certificate ("Subscription Certificate") pursuant to a notice of guaranteed delivery ("Notice of Guaranteed Delivery"). The institution may charge a fee for this service. The Notice of Guaranteed Delivery must be received by the subscription agent (the "Subscription Agent"), IST Shareholder Services, at its address set forth below before 5:00 p.m., ET, on or before the Expiration Date. A properly completed and executed Subscription Certificate, together with payment of the estimated purchase price of $3.48 per Share, must be received by the Subscription Agent by the close of business on the third business day after the Expiration Date or the Subscription Agent will not honor a Notice of Guaranteed Delivery. No later than January 3, 2012 unless extended (the "Confirmation Date"), the Subscription Agent will send to each exercising Rights holder (or, if Shares are held by Cede & Co. ("Cede")) or any other depository or nominee, to Cede or such other depository or nominee) a confirmation showing (1) the number of Shares purchased pursuant to the Primary Subscription; (2) the number of Shares, if any, acquired pursuant to the Over-Subscription Privilege; (3) the per Share and total purchase price for the Shares; and (4) any additional amount payable to the Fund by the exercising Rights holder or any excess to be refunded by the Fund to the exercising Rights holder, in each case based on the estimated Subscription Price as determined on the Expiration Date. Final payment of the actual purchase price per Share must be received by the Subscription Agent within ten (10) business days after the Confirmation Date.

If your Shares are held in certificate form or by the IST Shareholder Services, also the Fund's transfer agent, you may exercise your Rights by completing and signing the Subscription Certificate that accompanies this prospectus and mailing it in the envelope provided, or otherwise delivering it, to the Subscription Agent, together with payment of the estimated purchase price of $3.48 per Share. The instructions accompanying the Subscription Certificate should be read carefully and followed in detail. The Subscription Certificate and payment for the Shares must be received by the Subscription Agent at its address set forth below before 5:00 p.m., ET, on or before the Expiration Date. Final payment of the actual purchase price per Share must be received by the Subscription Agent within ten (10) business days after the Confirmation Date.

Exercising Rights holders will have no right to rescind their purchase after the Subscription Agent has received payment, either by means of a Notice of Guaranteed Delivery or a check, money order or wire payment, except under the circumstances described below under "Notice of Net Asset Value Decline." Notwithstanding the foregoing, the Fund may cancel this rights offering before the Expiration Date, even after the Rights have been distributed and subscriptions have been received.

See "The Rights Offering – Methods for Exercising Rights" and "The Rights Offering – Payment for Shares."

Information Agent: The Altman Group serves as the Fund's Information Agent in connection with this rights offering. Any questions or requests for assistance concerning the method of subscribing for Shares or for additional copies of this prospectus or Subscription Certificates may be directed to the Information Agent toll free at 1-877-732-3616. See "The Rights Offering – Information Agent."

See "The Rights Offering – Information Agent."

Subscription Agent: The Subscription Agent is IST Shareholder Services. Completed Subscription Certificates must be sent together with proper payment of the Subscription Price for all Shares subscribed for within the prescribed time period by first class mail, express mail, overnight courier or by hand (9:00 a.m. – 5:00 p.m. ET) to the Subscription Agent at the address listed below:

IST Shareholder Services
Attn: Rights Department
209 West Jackson Boulevard
Suite 903
Chicago, IL 60606
Tel 1-800-757-5755

See "The Rights Offering – Subscription Agent."

Important Dates to Remember:	Record Date November 14, 2011 Subscription Period November 14, 2011 to December 23, 2011* Expiration Date December 23, 2011* Deadline for Subscription Certificates and Payment for Shares** December 23, 2011* Deadline for Notices of Guaranteed Delivery** December 23, 2011* Deadline for Subscription Certificates and Payment pursuant to Notices of Guaranteed Delivery December 29, 2011* Confirmation Date January 3, 2012* Final Payment for Shares due*** January 18, 2012* * Unless extended. ** Record date stockholders exercising Rights must deliver to the Subscription Agent by the Expiration Date either (i) the Subscription Certificate together with payment or (ii) a Notice of Guaranteed Delivery. *** Additional amount due (in the event the Subscription Price exceeds the estimated Subscription Price). See "The Rights Offering – Payment for Shares."
Federal Income Tax Consequences:	For federal income tax purposes, neither the receipt nor the exercise of the Rights will result in taxable income or gain to holders of the Rights. You will not recognize a taxable loss if your Rights expire without being exercised. See "Certain Federal Income Tax Consequences of the Offering."
Use of Proceeds:	The net proceeds to the Fund from this rights offering, assuming all Primary Subscription Shares are sold, are estimated to be $19,391,400 or, if pursuant to the Over-Subscription Privilege the Fund at the discretion of the Board elects to increase the number of Shares subject to subscription in an amount up to 25% of the Primary Subscription Shares and all such Secondary Subscription Shares are sold, $24,333,000, in each case after deducting offering expenses. The Fund will invest the net proceeds of the rights offering in accordance with the Fund's investment objectives and policies. The Fund's Investment Manager anticipates that investment of the proceeds will occur within 90 days of the completion of the rights offering. To the extent there is any delay in investing the proceeds of the rights offering, the Fund may invest in U.S. government securities, high quality, short term fixed income instruments, and cash or cash equivalents, including money market funds, pending investment of the proceeds. See "Use of Proceeds." The

Fund does not currently anticipate an increase in leverage following the completion of the rights offering; however, the Fund reserves the right to adjust leverage from time to time. See “Investment Objectives, Policies, and Strategies—Leverage.”

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Costs of the Rights Offering:	The costs of the rights offering, which are estimated to be $375,000, will be borne by the Fund.
Notice of Net Asset Value Decline:	As required by the SEC, the Fund will suspend the rights offering until it amends this prospectus if, after the effective date of this prospectus, the Fund's NAV declines more than 10% from the Fund's NAV as of the effective date. In such event, the Expiration Date would be extended and the Fund would notify Record Date stockholders of the decline and permit exercising Rights holders to cancel their exercise of Rights. Rights holders will have their payment for additional Shares returned to them if they opt to cancel the exercise of their Rights. See "The Rights Offering – Notice of Net Asset Value Decline."
Foreign Restrictions:	Subscription certificates will not be mailed to Record Date stockholders whose record addresses are outside the United States or who have an APO or FPO address. Instead, such stockholders will receive written notice of this rights offering as set forth in this prospectus. See "The Rights Offering – Foreign Restrictions."

THE FUND

Overview:	Dividend and Income Fund, Inc. is a diversified, closed end management investment company with Shares listed on the NYSE under the symbol "DNI." As of October 24, 2011, the Fund had 16,921,198 Shares outstanding. Registered under the 1940 Act, the Fund was incorporated under the laws of the State of Maryland on April 6, 1998 and commenced investment operations on June 29, 1998.
Investment Objectives and Policies:	The Fund's primary investment objective is to seek high current income. Capital appreciation is a secondary objective. The Fund seeks to achieve its objectives by investing, under normal circumstances, at least 50% of its total assets in income generating equity securities, including dividend paying common stocks, convertible securities, preferred stocks, securities of registered investment companies (including, but not limited to, closed end management investment companies ("closed end funds"), open end management investment companies ("open end funds"), and business development companies ("BDCs")) (collectively, "investment companies"), exchange traded funds ("ETFs") organized as investment companies or otherwise, real estate investment trusts ("REITs"), depositary receipts, including American Depositary Receipts ("ADRs"), European Depositary Receipts ("EDRs"), Global Depositary Receipts ("GDRs"), and other equity related securities (collectively, "Income Generating Equity Securities"). The

Fund may invest in fixed income securities (“Debt Securities”), including bonds issued by domestic and foreign corporate entities and U.S. government securities. The Debt Securities in which the Fund may invest may be structured as fixed rate debt, floating rate debt, and debt that may not pay interest at the time of issuance. The Fund may also invest in securities of other issuers, including investment companies, ETFs and REITs, deemed by the Investment Manager not to be Income Generating Equity Securities based on the issuer’s income generation, objectives, policies, holdings, or similar criteria. The Fund may invest in securities of domestic or foreign issuers of any size. The Fund attempts to reduce individual security risk by diversifying across many industries and asset classes. There is no assurance the Fund will achieve its investment objectives.

The Debt Securities in which the Fund may invest include high yield, high risk securities which are rated below investment grade, including the lowest rating categories, or are unrated but are determined by the Investment Manager to be of comparable quality, and are considered speculative and subject to certain risks that may be greater than those of higher rated securities. Securities rated below investment grade are those rated below “Baa” by Moody’s Investors Service, Inc. (“Moody’s”) or below “BBB” by Standard & Poor’s Ratings Group, a division of The McGraw-Hill Companies, Inc. (“S&P”). The Fund normally will not invest more than 50% of its total assets in below investment grade Debt Securities, commonly known as junk bonds. Certain Income Generating Equity Securities in which the Fund may invest, including convertible securities and preferred stocks, may also be rated below investment grade and generally will have characteristics similar to those of lower rated Debt Securities. The Fund will not, however, normally invest in convertible securities rated below “C” by Moody’s or “CC” by S&P.

The Fund is permitted to invest in shares of registered investment companies to the extent permitted by the 1940 Act. Investment company shares held by the Fund may be deemed by the Investment Manager to be Income Generating Equity Securities, Debt Securities, or otherwise, depending on the income generation, objectives, policies, holdings, or similar criteria of the investment company. In accordance with the 1940 Act, the Fund will be limited in the amount the Fund and its affiliates can invest in any one investment company to 3% of the investment company’s total outstanding stock. As a result, the Fund may hold a smaller position in such investment company than if it were not subject to this restriction. To comply with provisions of the 1940 Act, on any matter upon which the Fund is solicited to vote as a stockholder in an investment company in which it invests, the Investment Manager votes such shares in the same general proportion as shares held by other stockholders of that investment company. The Fund does not invest in any investment companies managed by the Investment Manager or its affiliates. Investment companies incur advisory fees and other expenses. The Fund, as a stockholder, will indirectly bear its pro rata portion of such fees and expenses in addition to the Fund’s direct fees and expenses.

In seeking to enhance returns, the Fund may employ leverage to the extent permitted under the 1940 Act. See “Use of Leverage” below and “Investment Objectives, Policies, and Strategies—Leverage.” The Fund may also engage in the sale of covered call options. The Fund may not make short sales of securities or purchase securities on margin except for delayed delivery or when-issued transactions or such short term credits as are necessary for the clearance of transactions and the writing of call options on securities. The Fund may trade securities actively in pursuit of its investment objectives. The Fund also may lend its portfolio securities to brokers, dealers, and other financial institutions.

The Fund may, from time to time, make temporary investments for defensive purposes that are inconsistent with the Fund's principal investment strategies in attempting to respond to adverse market, economic, political or other conditions, pending investment of the proceeds of sales of portfolio securities, pending investment of the proceeds from this rights offering, or at other times when suitable investments are not otherwise available. To the extent the Fund takes temporary defensive positions, it may not achieve its investment objectives.

See "Investment Objectives, Policies, and Strategies" in this prospectus and "Additional Information About the Fund's Investment Program" in the Fund's Statement of Additional Information dated November 14, 2011 ("SAI").

Investment Strategy: When selecting Income Generating Equity Securities for the Fund, the Investment Manager will normally emphasize those with a yield anticipated to be greater than or comparable to that of the average dividend yield of the Standard & Poor's 500 Composite Stock Index ("S&P 500 Index"). After identifying qualifying Income Generating Equity Securities, the Investment Manager will typically apply fundamental investment analysis, which may consider yield, financial strength, profitability, growth potential, and risks, as well as other considerations, such as market, sector, or industry diversification, to select the Fund's specific portfolio securities. The industry sector weightings in the Income Generating Equity Securities portion of the Fund's portfolio are determined based on the Investment Manager's research. Except for securities related to the U.S. government, no more than 25% of the Fund's total assets will be invested in any one industry nor, as to 75% of the Fund's total assets, will more than 5% be invested in securities of any one issuer.

When selecting Debt Securities for the Fund, the Investment Manager will seek investments that offer a high a level of current income consistent with reasonable risk in light of the nature of the investments. Debt Securities under consideration for the Fund's portfolio normally will be analyzed by the Investment Manager based on fundamental factors, including yield, financial and operating strength, and risk, and other considerations, including marketability, relative value characteristics, and general credit trends. The Fund will generally invest in such securities presenting, in the Investment Manager's opinion, the potential for investment returns consistent with the Fund's investment objectives.

The Investment Manager generally considers a variety of factors when determining whether to sell a security in the Fund's portfolio and may sell a security at any time in its discretion. A security is typically sold when its potential to meet the Fund's investment objectives is limited or exceeded by another potential investment or when an investment no longer appears to meet the Fund's investment objectives.

See "Investment Objectives, Policies, and Strategies – Investment Strategy."

Use of Leverage: The Fund has utilized leverage since shortly after it began investment operations and expects to continue to use investment leverage; however, there can be no assurance that the Fund will continue to engage in any leveraging techniques. The Fund (and the other funds in its fund complex (the "Borrowers")) is currently a party to a committed secured leveraging facility ("Line of Credit") and, as of October 24, 2011, had borrowed $18.5 million under the Line of Credit. The percentage amount of the Fund's leverage outstanding as of such date was 21% of its total assets (including the proceeds of such leverage). At the completion of the rights offering, the percentage amount of the Fund's leverage outstanding is expected to decrease to 0% of total assets assuming all Primary Subscription Shares are sold and 0% of total assets assuming the Fund issues and sells all Secondary Subscription Shares pursuant to the Over-Subscription Privilege, unless the Fund otherwise changes its borrowing. The Fund currently anticipates an increase in leverage within a range of 0% to 21% following the completion of the rights offering; however, the Fund reserves the right to adjust leverage from time to time. Although the Fund's fundamental investment restrictions permit leverage in an amount up to 50% of its total assets (including the amount obtained from the issuance of certain senior securities), the Fund's Line of Credit limits amounts outstanding by the Fund at all times to the lesser of, among other things, $30,000,000 or 30% of the total net assets of the Fund (as defined in the Line of Credit). The Fund's portfolio securities are normally pledged at least to the extent required under a security agreement as collateral to secure the Line of Credit. Following completion of the rights offering, the Fund currently intends to adjust leverage in its portfolio from time to time through its Line of Credit. The Fund may also enter into transactions that may give rise to other forms of leverage including, among others, derivative transactions, loans of portfolio securities, and when-issued, delayed delivery and forward commitment transactions. Although it has no current intention to do so, the Fund may also determine to issue preferred shares to add leverage to its portfolio. See "Investment Objectives, Policies and Strategies – Leverage," "Special Considerations and Risk Factors—Risks of Investing in the Fund—Leverage and Borrowing Risk," and "Description of Capital Stock—Preferred Stock."

SPECIAL CONSIDERATIONS AND RISK FACTORS

The following summarizes some of the matters and risks that you should consider before investing in connection with this rights offering. See “Special Considerations and Risk Factors” for a more detailed discussion.

Risks of the Rights Offering:

Potential Dilution. If you do not exercise your Rights, you will, upon the completion of the rights offering, own a smaller proportional interest in the Fund than you do now and you will incur dilution of voting, as well as dilution of your share of any distributions made by the Fund, as a result of the rights offering. In addition, if you do not submit a subscription request pursuant to the Over-Subscription Privilege and the Fund issues Excess Shares, you may experience further dilution of ownership and voting, as well as further dilution of your share of any distributions made by the Fund. Also, because the Subscription Price per Share will be less than the then current NAV per Share, the completion of the rights offering will result in an immediate dilution of the NAV per Share for all existing stockholders, irrespective of whether they exercise all or any portion of their Rights. If the Subscription Price per Share is substantially less than the then current NAV per Share, such dilution could be substantial. The Fund cannot state precisely the extent of this dilution because the Fund does not know what the NAV per Share or the Subscription Price per Share will be when the rights offering expires, how many Shares will be subscribed for or the exact expenses of the rights offering. Any such dilution will disproportionately affect non-exercising shareholders.

The impact of the rights offering on NAV per share is shown by the following examples assuming an NAV of $4.28, a Subscription Price of $3.66 and estimated expenses related to the rights offering of $375,000. (As of November 11, 2011, the NAV per Share was $4.28 and the average of the volume weighted average sales price of a Share on the NYSE on November 7, 2011 and the four preceding trading days was $3.66 for an estimated Subscription Price of $3.48 per Share.)

Scenario 1 assumes that the offering is fully subscribed and all Primary Subscription Shares (but no Secondary Subscription Shares) are issued:

Reduction in NAV ($)	$0.22
Reduction in NAV (%)	5.14%

Scenario 2 assumes that all Primary Subscription Shares and all Secondary Subscription Shares are issued:

Reduction in NAV ($)	$0.25
Reduction in NAV (%)	5.84%

If the Subscription Price per Share is lower than NAV per Share by an even larger margin than in the example above, dilution would be even more substantial. For example, assuming an NAV of $3.57 and a Subscription Price of $2.25 (based upon the highest discount to NAV at which the Shares have traded as set forth in the table under "Market Price Information") and estimated expenses related to the rights offering of $375,000, the impact of the rights offering on NAV per share would be as follows:

Scenario 1 assumes that the offering is fully subscribed and all Primary Subscription Shares (but no Secondary Subscription Shares) are issued:

Reduction in NAV ($)	$0.35
Reduction in NAV (%)	9.80%

Scenario 2 assumes that all Primary Subscription Shares and all Secondary Subscription Shares are issued:

Reduction in NAV ($)	$0.41
Reduction in NAV (%)	11.48%

Potential Reduction in DistributionsPaid from Ordinary Income. The Fund's distributions reflect its managed distribution policy to provide stockholders with a relatively stable cash flow and to attempt to reduce or eliminate the Fund's market price discount to its NAV per share. The policy may be changed or discontinued without notice. The distributions are paid from ordinary income and any net realized capital gains, with the balance, if any, representing return of capital. The Fund's fixed distributions are not tied to its net investment income and net realized capital gains and do not represent yield or investment return. The rights offering could reduce the portion of the Fund's distributions paid from ordinary income and increase the balance representing return of capital if the Fund is unable to invest the proceeds of the rights offering in securities paying the Fund income at levels at least equal to those currently held by the Fund.

Increase in Share Price Volatility; Decrease in Share Price. The rights offering may result in an increase in trading of the Shares, which may increase volatility in the market price of the Shares. The rights offering may result in an increase in the number of stockholders wishing to sell their Shares, which would exert downward price pressure on the price of Shares.

Under-Subscription. It is possible that the rights offering will not be fully subscribed. Under-subscription of the rights offering could have an impact on the net proceeds of the rights offering and whether the Fund achieves the benefits described under "The Rights Offering—Purpose of the Offering."

Risks of Investing in the Fund:

Investment and Market Risk An investment in the Shares is subject to investment risk, including the possible loss of the entire principal amount that you invest. Your investment in Shares represents an indirect investment in the securities owned by the Fund. The value of these securities, like other market investments, may move up or down, sometimes rapidly and unpredictably, and these fluctuations are likely to have a greater impact on the value of the Shares during periods in which the Fund utilizes a leveraged capital structure.

Recent Market Events. Recently, domestic and international markets have experienced turmoil, due to a variety of factors, including continuing economic issues in Greece, Spain, Ireland, Portugal, Italy and other European Union countries. This turmoil is reflected in perceptions of economic uncertainty, price volatility in the equity and debt markets, and fluctuating trading liquidity. In addition, many governments throughout the world responded to the market turmoil with a variety of fiscal and monetary policy changes, including but not limited to, direct capital infusions into companies, new monetary programs, and lower interest rates. An unexpected or quick reversal of these policies could increase volatility in the equity and debt markets. These market conditions and continuing economic risks could have a significant effect on domestic and international economies, and could add significantly to the risks of the Fund's volatility and inability to obtain its investment objectives.

Equity Securities Risk. Investing in the Fund involves equity risk, which is the risk that the securities held by the Fund will fall in market value due to adverse market and economic conditions, perceptions regarding the industries in which the issuers of securities held by the Fund participate and the particular circumstances and performance of particular companies whose securities the Fund holds. The general risks associated with equity securities may be greater for equity securities issued by companies with smaller market capitalizations as these companies may have limited product lines, markets or financial resources or may depend on a few key employees.

Common Stock Risk. Although common stocks can generate higher average returns than debt and other equity securities, common stocks can also experience more volatility in those returns. An adverse event, such as an unfavorable earnings report, may depress the value of a particular common stock held by the Fund. Also, the prices of common stocks are sensitive to general movements in the stock market. A drop in the stock market may depress the price of common stocks held by the Fund or to which the Fund has exposure. In the event of a company's liquidation, the holders of its common stock have rights to its assets only after bondholders, other debt holders, and preferred stockholders have been satisfied.

Credit Risk. This is the risk that an issuer of bonds and other debt securities will be unable to pay interest or principal when due. The prices of bonds and other debt securities are affected by the credit quality of the issuer. Below investment grade debt securities normally are lower quality and have greater credit risk because the companies that issue them typically are not as financially strong as companies that issue higher quality, investment grade debt securities. Changes in the financial condition of an issuer, general economic conditions, and specific economic conditions that affect a particular type of issuer can impact the credit quality of an issuer. Such changes may weaken an issuer's ability to make payments of principal or interest, or cause an issuer to fail to make timely payments of interest or principal. The downgrade of a security may further decrease its value, although a grade rating by a rating agency only represents the service's opinion as to the general credit quality of the security being rated and is not an absolute standard of quality or guarantee as to the creditworthiness of an issuer. Lower quality debt securities generally tend to be more sensitive to these changes than higher quality debt securities, but the lowest rating category of investment grade securities may have speculative characteristics as well. See “Additional Risks of Certain Securities—Below Investment Grade Securities” below. Credit risk also applies to securities issued by the U.S. government’s agencies and instrumentalities that are not backed by the U.S. government’s full faith and credit. Although securities backed by the full faith and credit of the U.S. government are generally considered to present minimal credit risk, credit risk may also apply to these securities.

Interest Rate Risk. Generally, when market interest rates rise, the prices of debt obligations fall, and vice versa. Interest rate risk is the risk that debt obligations and other instruments in the Fund’s portfolio will decline in value because of increases in market interest rates. This risk may be particularly acute because market interest rates are currently at historically low levels. The prices of long-term debt obligations generally fluctuate more than prices of short-term debt obligations as interest rates change. The Fund’s use of leverage will tend to increase interest rate risk.

Prepayment and Extension Risk. If interest rates fall, the principal on the debt securities held by the Fund may be paid earlier than expected. If this happens, the proceeds from a prepaid security may be reinvested by the Fund in securities bearing lower interest rates, resulting in a possible decline in the Fund’s income and distributions to stockholders. Alternatively, the Fund is subject to the risk that an issuer will exercise its right to pay principal on an obligation held by that Fund later than expected. This may happen when there is a rise in interest rates. These events may lengthen the duration (i.e. interest rate sensitivity) and potentially reduce the value of these securities.

Corporate Bonds Risk. The Fund’s investments in corporate bonds are subject to a number of the risks described in this prospectus, including credit risk, interest rate risk, prepayment and extension risk, inflation risk, deflation risk, below investment grade securities risk, foreign securities risk, illiquid and restricted securities risk, valuation risk, and management risk.

Leverage and Borrowing Risk. Borrowing for investment purposes creates an opportunity for increased return, but at the same time, involves special risk considerations. Borrowing increases the likelihood of greater volatility of NAV and market price of the Shares. If the return that the Fund earns on the additional securities purchased fails to cover the interest and fees incurred on the monies borrowed, the NAV of the Fund (and the return of the Fund) would be lower than if borrowing had not been incurred. In addition, when the Fund borrows at a variable interest rate, there is a risk that fluctuations in the interest rate may adversely affect the return to the Fund’s stockholders. Interest payments and fees incurred in connection with such borrowings will reduce the amount of net income available for distribution to stockholders. There is no assurance that a borrowing strategy will be successful during any period in which it is employed.

Borrowing on a secured basis results in certain additional risks. Should securities that are pledged as collateral to secure the loan decline in value, the Fund may be required to pledge additional funds in the form of cash or securities to the lender to avoid liquidation of the pledged assets. In the event of a steep drop in the value of pledged securities, it might not be possible to liquidate assets quickly enough and this could result in mandatory liquidation of the pledged assets in a declining market at relatively low prices. Furthermore, the Investment Manager's ability to sell the pledged securities is limited by the terms of the Line of Credit, which may reduce the Fund's investment flexibility over the pledged securities. The rights of the lender to receive payments of interest on and repayments of principal will be senior to the rights of the Fund's stockholders.

Inflation/Deflation Risk. Inflation risk is the risk that the value of assets or income from the Fund's investments will be worth less in the future as inflation decreases the present value of payments at future dates. Deflation risk is the risk that prices throughout the economy may decline over time —the opposite of inflation. Deflation may have an adverse effect on the creditworthiness of issuers and may make issuer default more likely, which may result in a decline in the value of the Fund's portfolio.

Additional Risks of Certain Securities

Below Investment Grade Securities. Below investment grade securities are commonly referred to as "junk bonds." Below investment grade securities are regarded as being predominantly speculative as to the issuer's ability to make payments of principal and interest. The risks associated with acquiring the securities of such issuers generally are greater than is the case with higher rated securities. For example, during an economic downturn or a sustained period of rising interest rates, issuers of below investment grade securities may be more likely to experience financial stress, especially if such issuers are highly leveraged. During periods of economic downturn, such issuers may not have sufficient revenues to meet their interest payment obligations. The issuer's ability to service its debt obligations also may be adversely affected by specific issuer developments, the issuer's inability to meet specific projected business forecasts, or the unavailability of additional financing. Therefore, there can be no assurance that in the future there will not exist a higher default rate relative to the rates currently existing in the market for below investment grade securities. The risk of loss due to default by the issuer is significantly greater for the holders of below investment grade securities because such securities may be unsecured and may be subordinate to other creditors of the issuer.

Below investment grade securities have been in the past, and may again in the future be, more volatile and less liquid than higher rated fixed income securities, so that adverse economic events may have a greater impact on the prices of below investment grade securities than on higher rated fixed income securities.

Sale of Covered Call Options. A decision as to whether, when and how to use covered call options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful because of market behavior or unexpected events. The use of options may require the Fund to sell portfolio securities at inopportune times or for prices other than current market values, may limit the amount of appreciation the Fund can realize on an investment, or may cause the Fund to hold a security it might otherwise sell. As the writer of a covered call option on an underlying security, the Fund forgoes, during the option's life, the opportunity to profit from increases in the market value of the security covering the call option above the exercise price of the call option, but has retained the risk of loss should the price of the underlying security decline. Although such loss would be offset in part by the option premium received, in a situation in which the price of a particular stock on which the Fund has written a covered call option declines rapidly and materially or in which prices in general on all or a substantial portion of the stocks on which the Fund has written covered call options decline rapidly and materially, the Fund could sustain material depreciation or loss in its net assets to the extent it does not sell the underlying securities (which may require it to terminate, offset or otherwise cover its option position as well). There can be no assurance that a liquid market will exist when the Fund seeks to close out an option position. If the Fund were unable to close out a covered call option that it had written on a security, it would not be able to sell the underlying security unless the option expired without exercise. In addition, the Fund's ability to terminate over-the-counter options may be more limited than with exchange-traded options and may involve the risk that counterparties participating in such transactions will not fulfill their obligations.

Real Estate Investment Trusts. REITs are financial vehicles that pool investors' capital to purchase or finance real estate. The market value of REIT shares and the ability of REITs to distribute income may be adversely affected by numerous factors, including rising interest rates, changes in the national, state and local economic climate and real estate conditions, perceptions of prospective tenants of the safety, convenience and attractiveness of the properties, the ability of the owners to provide adequate management, maintenance and insurance, the cost of complying with the Americans with Disabilities Act, increasing competition and compliance with environmental laws, changes in real estate taxes and other operating expenses, adverse changes in governmental rules and fiscal policies, adverse changes in zoning laws, and other factors beyond the control of the issuers. In addition, distributions received by the Fund from REITs may be attributable to net investment income, net realized capital gains and/or returns of capital. Dividends paid by REITs will generally not qualify for the reduced federal income tax rates applicable to "qualified dividend income" under the Internal Revenue Code of 1986, as amended ("Code"). See "Tax Considerations" in the SAI. REITs are subject to interest rate risk and prepayment risk. Changes in prevailing interest rates affect not only the value of REIT shares but may impact the market value of the REIT's investment real estate. Investing in REITs also involves certain unique risks in addition to those risks associated with investing in the real estate industry in general. REITs are dependent upon the skills of their managers and are not diversified. REITs are generally dependent upon maintaining cash flows to repay borrowings and to make distributions to stockholders and are subject to the risk of default by lessees or borrowers. REITs may have limited financial resources and may trade less frequently and in a more limited volume, and may be subject to more abrupt or erratic price movements, than larger company securities. Historically, REITs have been more volatile in price than the larger capitalization stocks included in S&P 500 Index.

Securities of Other Investment Companies. An investment in shares of other investment companies involves substantially the same risks as investing directly in the underlying instruments that such investment companies hold and the risk that the price of the shares of the investment company can fluctuate up or down. There can be no assurance that the investment objective of any investment company in which the Fund invests will be achieved. Consequently, the Fund could lose money investing in another investment company if the prices of the securities owned by the investment company decline in value.

In addition, the closed end funds, ETFs and BDCs in which the Fund may invest are subject to the following risks that do not apply to open end funds: (i) market price of shares may trade above or below their NAV; (ii) an active trading market for shares may not develop or be maintained; and (iii) trading of shares may be halted. In the case of leveraged closed end funds, their share price and NAV may fluctuate to a greater extent and be more volatile than un-leveraged closed end funds. All investment companies incur advisory fees and other expenses. The Fund, as a stockholder, will indirectly bear its pro rata portion of such fees and expenses addition to the Fund’s direct fees and expenses, so stockholders of the Fund will be subject to duplication of fees on investments by the Fund in other investment companies.

Securities of Small and Mid-Capitalization Companies. The Fund may invest in companies with mid or small sized capital structures (generally a market capitalization of $5 billion or less). Accordingly, the Fund may be subject to the additional risks associated with investment in these companies. The market prices of the securities of such companies tend to be more volatile than those of larger companies. Further, these securities tend to trade at a lower volume than those of larger more established companies. If the Fund is heavily invested in these securities and the value of these securities suddenly declines, that Fund will be susceptible to significant losses.

Preferred Stocks. In addition to equity securities risk and possibly below investment grade securities risk, investment in preferred stocks involves certain other risks. Certain preferred stocks contain provisions that allow an issuer under certain conditions to skip or defer distributions. Preferred stocks often are subject to legal provisions that allow for redemption in the event of certain tax or legal changes or at the issuer's call. In the event of redemption, the Fund may not be able to reinvest the proceeds at comparable rates of return. Preferred stocks are subordinated to bonds and other debt securities in an issuer's capital structure in terms of priority for corporate income and liquidation payments, and therefore will be subject to greater credit risk than those debt securities. Preferred stocks may trade less frequently and in a more limited volume and may be subject to more abrupt or erratic price movements than many other securities, such as common stocks, corporate debt securities and U.S. Government securities.

Convertible Securities. Convertible securities generally have less potential for gain or loss than common stocks. Convertible securities generally provide yields higher than the underlying common stocks, but generally lower than compatible nonconvertible securities. Because convertible securities may also be interest rate sensitive, their value may increase as interest rates fall and decrease as interest rates rise. Convertible securities are also subject to credit risk, and are often lower-quality securities.

Foreign Securities. The Fund may invest in securities of issuers domiciled outside the United States. Investing in the securities of foreign companies may involve additional risks and considerations that are not typically associated with investing in the securities of U.S. companies. Since the securities of foreign companies are normally denominated in foreign currencies, the Fund may be affected favorably or unfavorably by changes in currency rates and in exchange control regulations, and may incur costs in connection with conversions between various currencies. As foreign companies are not generally subject to uniform accounting, auditing and financial reporting standards and practices comparable to those applicable to U.S. companies, comparable information may not be readily available about certain foreign companies. Some securities of foreign companies may be less liquid and more volatile than securities of comparable U.S. companies. In addition, in certain foreign countries, there is the possibility of expropriation or confiscatory taxation, political or social instability, or diplomatic developments that could affect U.S. investments in the securities of issuers domiciled in those countries.

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U.S. Government Securities. Historically, U.S. government securities have not been perceived to involve the general credit risks associated with investments in other types of debt securities and, as a result, the yields available from U.S. government securities are generally lower than the yields available from other debt securities. Like other debt securities, however, the values of U.S. government securities change as interest rates fluctuate. Fluctuations in the value of portfolio securities will not affect interest income on existing portfolio securities but will be reflected in the Fund's NAV.

Illiquid and Restricted Securities. Liquidity relates to the ability of the Fund to sell a security in a timely manner at a price which reflects the value of the security. The relative illiquidity of some of the Fund's portfolio securities may adversely affect the ability of the Fund to dispose of such securities in a timely manner and at a fair price at times when it might be necessary or advantageous for the Fund to liquidate portfolio securities. The market for less liquid securities tends to be more volatile than the market for more liquid securities and market values of relatively illiquid securities may be more susceptible to change as a result of adverse publicity and investor perceptions than are the market values of more liquid securities. Restricted securities have contractual restrictions on their public resale, which may make it more difficult to value them, limit the Fund's ability to dispose of them, and lower the amount the Fund could realize upon their sale.

Counterparty Risk. The Fund will be subject to credit risk with respect to the counterparties to a derivatives contract, repurchase agreement, loan of portfolio securities or other obligation. Recently, several broker-dealers and other financial institutions have experienced extreme financial difficulty, sometimes resulting in bankruptcy of the institution. There can be no assurance that the Fund's counterparties will not experience similar difficulties, possibly resulting in losses to the Fund.

Market Discount from Net Asset Value. Shares of closed end funds frequently trade at a discount from their NAV. This characteristic is a risk separate and distinct from the risk that the Fund's NAV could decrease as a result of its investment activities and may be greater for investors expecting to sell their Shares in a relatively short period following completion of this rights offering because the NAV of the Shares will be reduced immediately following the rights offering because the Subscription Price will be below the NAV per Share on the Expiration Date and the Fund will bear the expenses of the rights offering. Whether an investor will realize gain or loss on the sale of Shares will depend not on fluctuations in the Fund's NAV per Share but entirely on whether the market price of the Shares at the time of sale is above or below the investor's purchase price for the Shares. Because the market price of the Shares will be determined by factors such as relative supply and demand for the Shares in the market, general market and economic conditions, and other factors beyond the control of the Fund, it cannot predict whether the Shares will trade at, below or above their NAV. The Shares are designed primarily for long term investors and should not be considered a vehicle for trading purposes. The NAV of the Shares will fluctuate with price changes of the Fund's portfolio securities, and these fluctuations are likely to be greater in the case of a fund having a leveraged capital structure, such as the Fund.

Distribution Policy Risk. The Fund currently seeks to make distributions to stockholders on a regular basis. Such distributions are not tied to the Fund's investment income and capital gains and do not represent yield or investment return on the Fund's portfolio. To the extent that the amount distributed in cash exceeds the total net investment income of the Fund, the assets of the Fund will decline. Accordingly, a decline in Fund assets may result in an increase in the Fund's expense ratio. In addition, the maintenance of the Fund's distribution policy may cause the Fund's assets to be less fully invested than would otherwise be the case, which could reduce the Fund's total investment return. Furthermore, the Fund may need to raise additional capital in order to maintain the distribution policy.

Securities Lending Risk. Securities lending involves possible delay in recovery of the securities or possible loss of rights in the collateral should the borrower fail financially. As a result, the value of the Fund shares may fall, and there may be a delay in recovering the loaned securities. The value of the shares could also fall if a loan is called and the Fund is required to liquidate reinvested collateral at a loss or if the Investment Manager is unable to reinvest cash collateral at rates which exceed the costs involved.

Management Risk. The Fund is subject to management risk because it is an actively managed investment portfolio. The Investment Manager will seek to achieve the investment objectives of the Fund, but there can be no guarantee that it will do so.

Valuation Risk. Unlike most publicly traded common stocks which trade on national exchanges, bonds generally do not trade on a central exchange. Debt securities generally trade in the "over-the-counter" market. Due to the lack of centralized information and trading, the valuation of bonds may carry more risk than that of common stock. Uncertainties in the conditions of the financial market, unreliable reference data, lack of transparency, and inconsistency of valuation models and processes may lead to inaccurate asset pricing. As a result, the Fund may be subject to the risk that when a security is sold in the market, the amount received by the Fund is less than the value of such security carried on the Fund's books.

Anti-Takeover Provisions. The Fund has certain provisions in its Articles of Incorporation and Bylaws (collectively, the “Governing Documents”) that may be regarded as “anti-takeover” provisions. These provisions could have the effect of limiting (i) the ability of other entities or persons to acquire control of the Fund, (ii) the Fund’s freedom to engage in certain transactions, or (iii) the ability of the Fund’s directors or stockholders to amend the Governing Documents or effectuate changes in the Fund’s management. The Fund is also subject to certain Maryland law provisions, including those which have been enacted since the inception of the Fund, that make it more difficult for non-incumbents to gain control of the Board. The overall effect of these provisions is to render more difficult the accomplishment of a merger with, or the assumption of control by a stockholder, or the conversion of the Fund to open end status. These provisions may have the effect of depriving Fund stockholders of an opportunity to sell their shares at a premium above the prevailing market price by discouraging a third party from seeking to obtain control of the Fund. See “Description of Capital Stock—Certain Anti-Takeover Provisions in the Governing Documents.”

Status as a Regulated Investment Company: The Fund intends to continue to qualify for treatment as a regulated investment company (as defined in section 851(a) of the Code) (“RIC”) under the Code. Qualification requires, among other things, compliance by the Fund with certain distribution requirements. See “Tax Considerations” in the SAI.

Investment Manager: Effective February 1, 2011, Bexil Advisers LLC replaced Chartwell Investment Partners L.P. as the Fund’s Investment Manager. The daily portfolio management of the Fund is provided by the Investment Policy Committee of the Investment Manager. Under the terms of the Investment Management Agreement between the Fund and the Investment Manager, the Fund pays the Investment Manager a fee at an annual rate of 0.95% of the Fund’s managed assets and reimburses the Investment Manager for certain expenses.

The Investment Manager has contractually agreed to waive up to .10% of its advisory fee annually to the extent that the ratio stated as a percentage of the Fund’s direct operating expenses (the Fund’s total operating expenses (excluding commercial paper fees and interest expense, borrowing interest and fees, brokerage commissions, taxes, fees and expenses of investing in other investment companies (“acquired fund fees and expenses”), and extraordinary expenses)) to the Fund’s Managed Assets (defined below) exceeds 1.58%. The waiver agreement commenced February 1, 2011 and, unless sooner amended or terminated with the approval of the Board, will continue in effect for two years, or if sooner, upon the termination of the Investment Management Agreement. The Investment Manager may continue such waiver after such two year period but is not contractually obligated to do so. See “Management of the Fund—The Investment Manager” in this prospectus and “Investment Management and Other Services” in the SAI.

The Investment Manager and its affiliates (the "Affiliated Parties") may also purchase Shares through the rights offering on the same terms as other stockholders to the extent any such Affiliated Party is a Record Date stockholder of the Fund.

Potential Conflicts of Interest. Because the Investment Manager receives a fee based on the Fund's assets, the Investment Manager will benefit from any increase in assets that results from the rights offering. See "Management of the Fund – The Investment Manager." Although the Fund is not obligated to deal with any particular broker, dealer, or group thereof, certain broker/dealers that the Affiliated Parties do business with may from time to time own more than 5% of the publicly traded common stock of the Affiliated Parties.

Share Repurchases and Tender Offers: If Shares publicly trade for a substantial period of time at a substantial discount from the Fund's then current NAV per share, the Board may consider, from time to time, authorizing various actions designed to reduce the discount, which may include periodic repurchases of, or tender offers for, the Shares. No assurance can be given that the Board will undertake any such action or that if repurchases are made, the Shares will thereafter trade at a price that is close to or equal to NAV. Under certain circumstances, a stockholder vote may be required to authorize periodic repurchases of the Shares. See "Description of Capital Stock – Share Repurchases and Tender Offers."

Distribution Policy: The Fund has a managed distribution policy to provide stockholders with a relatively stable cash flow and to attempt to reduce or eliminate the Fund's market price discount to its NAV per share. The amount of the distribution may vary depending on the NAV per share at the time of declaration, the distribution required for the Fund to continue to qualify for treatment as a RIC under the Code, or a combination of both. See "Tax Considerations" in the SAI. The policy may be changed or discontinued without notice. The distributions are paid from ordinary income and any net realized capital gains, with the balance representing return of capital. (If, for any distribution, the sum of previously undistributed net investment income and net realized capital gains is less than the amount of the distribution, the difference, i.e., the return of capital, will be charged against the Fund's capital.) The Fund's fixed distributions are not tied to its net investment income and net realized capital gains and do not represent yield or investment return. The Fund's final distribution for each calendar year will include any remaining net investment income undistributed during the year, as well as all net capital gain (i.e., the excess of net long term capital gain over net short term capital loss) realized during the year.

If, for any taxable year of the Fund (which ends on November 30), the total distributions exceed the sum of the Fund's net investment income and net realized short and long term capital gains, the excess will generally be treated first as ordinary dividend income (up to the amount of the Fund's current and accumulated earnings and profits) and then as a return of capital (tax-free for a stockholder up to the amount of its tax basis in its Shares). The amount treated as a tax-free return of capital will reduce a stockholder's adjusted basis in its Shares, thereby increasing the stockholder's potential gain or reducing its potential loss on the subsequent sale of those Shares. This distribution policy may, under certain circumstances, have certain adverse consequences to the Fund and its stockholders. Distributions to the Fund's stockholders will only be payable after the payment of any interest on the Fund's outstanding debt. See "Distribution Policy" in this prospectus and "Tax Considerations" in the SAI.

Dividend Reinvestment Plan:	The Fund has a Dividend Reinvestment Plan. Under the plan, all dividends and other distributions are automatically reinvested in additional Shares unless a stockholder elects to receive them in cash. See "Dividend Reinvestment Plan."
Custodian and Transfer Agent	State Street Bank and Trust Company acts as Custodian of the Fund's investments and may appoint one or more sub-custodians. The Custodian is responsible for the safekeeping of Fund assets and, with its affiliates, serves as the Fund's securities lending agent, a securities broker for portfolio transactions by the Fund, and provider of the Line of Credit. IST Shareholder Services acts as the Fund's Transfer and Dividend Disbursing Agent and as the Subscription Agent in this rights offering.

FEES AND EXPENSES

Stockholder Transaction Expenses	
Sales Load (as a percentage of offering price)(1)	None
Offering Expenses(2)	1.90%
Dividend Reinvestment and Cash Purchase Plan Fees(3)	None
Annual Expenses (as a percentage of net assets attributable to common stock)	
Management Fees(4)	1.15%
Interest Payments on Borrowed Funds(5)	0.27%
Other Expenses(6)	0.47%
Acquired Fund Fees and Expenses(7)	0.17%
Total Annual Fund Operating Expenses(8)	2.06%

(1) This is not an underwritten offering and there will be no underwriting discounts or commissions. Stockholders who exercise their Rights through an intermediary, such as a broker, bank, or trust company, or other financial institution or nominee may incur a servicing fee charged by such intermediary.

(2) These offering expenses will be borne by the Fund and indirectly by all of the Fund's common stockholders, including those who do not exercise their Rights.

(3) See "Dividend Reinvestment Plan."

(4) The Fund pays an investment advisory fee to the Investment Manager at an annual rate of 0.95% of the Fund's Managed Assets. "Managed Assets" means the average weekly value of the Fund's total assets minus the sum of the Fund's liabilities, which liabilities exclude debt relating to leverage, short term debt and the aggregate liquidation preference of any outstanding preferred stock. In calculating the Management Fee rate based on net assets, the Fund derived the amount of Management Fees by assuming leverage to net assets at the average level employed during the period from the commencement of the Fund's current fiscal year on December 1, 2010 through August 31, 2011, and determined net assets attributable to common stock by subtracting from total assets debt relating to leverage, short term debt and the aggregate liquidation preference of any outstanding preferred stock, and other liabilities.

(5) The amount shown reflects estimated costs of borrowing under the Line of Credit.

(6) Since February 1, 2011, the Fund has changed its service providers. Other Expenses are estimated for the current fiscal year to reflect these new service contracts. The costs of lending the Fund's portfolio securities are not included in the table.

(7) Fund stockholders will bear indirectly acquired fund fees and expenses to the extent of the Fund's investment in other investment companies.

(8) The expense ratio assumes that the offering is fully subscribed and all Primary Subscription Shares (but no Secondary Subscription Shares) are issued. The Investment Manager has contractually agreed to waive up to 0.10% of its investment advisory fee annually to the extent that the ratio stated as a percentage of the Fund's direct operating expenses (the Fund's total operating expenses (excluding commercial paper fees and interest expense, borrowing interest and fees, brokerage commissions, taxes, acquired fund fees and expenses, and extraordinary

expenses)) to the Fund's Managed Assets exceeds 1.58%. The waiver agreement commenced February 1, 2011 and, unless sooner amended or terminated with the approval of the Board, will continue in effect for two years, or if sooner, upon the termination of the Investment Management Agreement. See "Management of the Fund—The Investment Manager."

Example

The following example illustrates the expenses that you would pay on a $1,000 investment in Shares, assuming (1) a 5% annual return, (2) the Fund incurs annual expenses at the levels set forth in the table above, and (3) reinvestment of all dividends and other distributions at NAV

1 year	3 years	5 years	10 years
$ 21	$ 64	$ 111	$ 238

The purpose of the table and example above is to help you understand the various costs and expenses that an investor in the Fund may bear directly or indirectly. The example should not be considered a representation of future expenses. The Fund's actual expenses may be more or less than those shown and the Fund's actual rate of return will vary and may be higher or lower than the hypothetical 5% annual return used to calculate the example.

FINANCIAL HIGHLIGHTS

The table below sets forth certain specified information for a Share outstanding throughout each period presented. This information is derived from the financial and accounting records of the Fund. The financial highlights for the fiscal year ended November 30, 2010 and the prior four years have been audited by Ernst & Young, LLP, an independent registered public accounting firm. The financial highlights for the fiscal years ended November 30, 2001 through 2005 were audited by another independent registered public accounting firm, whose reports with respect to that period were unqualified. The information in the financial highlights for the six months ended May 31, 2011 is unaudited. The information below should be read in conjunction with the Fund's audited financial statements and the accompanying notes thereto for the fiscal year ended November 30, 2010, which, together with the report of the Fund's independent registered public accounting firm, have been incorporated by reference in the SAI. The information in the financial highlights for the six months ended May 31, 2011 is also incorporated by reference into the SAI. The Annual and Semi-Annual Reports are available without charge by calling the Information Agent toll-free at (877) 732-3616.

		For the Years Ended November 30,									
Per Share Operating Performance (for a share outstanding throughout each period)	Six Months Ended May 31, 2011 (Un-audited)	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Net asset value, beginning of period	$ 4.34	$4.19	$3.67	$8.16	$9.55	$8.65	$8.96	$8.52	$7.47	$9.76	$10.33
Income from investment operations: (1)											
Net investment income	.13	.20	.21	.56	.80	.63	.61	.55	.60	.66	.65
Net realized and unrealized gain (loss) on investments	.40	.36	.72	(4.19)	(1.30)	1.20	.08	.89	1.45	(1.83)	.02
Total income from investment operations	.53	.56	.93	(3.63)	(.50)	1.83	.69	1.44	2.05	(1.17)	.67
Less distributions:											
Net investment	(.12)	(.35)	(.39)	(.59)	(.84)	(.93)	(.53)	(.54)	(.61)	(.66)	(.65)

income											
Capital gains	--	--	--	--	--	--	(.01)	(.46)	--	--	--
Tax return of capital	(.09)	(.06)	(.02)	(.27)	(.05)	--	(.46)	--	(.39)	(.46)	(.59)
Total distributions	(.21)	(.41)	(.41)	(.86)	(.89)	(.93)	(1.00)	(1.00)	(1.00)	(1.12)	(1.24)
Net asset value, end of period	$4.66	$4.34	$ 4.19	$ 3.67	$8.16	$9.55	$8.65	$8.96	$8		
Market value, end of period	$4.43	$4.23	$ 3.65	$ 2.60	$7.35	$9.78	$10.70	$10.03	$9		
Total Return: (2)											
Based on net asset value	12.48 %	14.55 %	29.42 %	(47.75)%	(6.05)%	22.51 %	8.19 %	18.01 %	2		
Based on market value	9.71 %	28.17 %	59.14 %	(58.90)%	(17.19)%	0.36 %	18.14 %	14.02 %	5		
Ratios/Supplemental Data: (3)											
Net assets, end of period (000's omitted)	$78,832	$73,322	$ 70,853	$ 62,022	$137,953	$160,613	$144,352	$148,144	$1		
Ratios to average net assets of:											
Net expenses (4)	2.17 %*	2.50 %	2.89 %	3.47 %	3.62 %	3.55 %	2.90 %	2.26 %	2		
Total expenses (5)	2.21 %*	2.63 %	3.01 %	3.62 %	3.75 %	3.69 %	3.04 %	2.40 %	2		
Net expenses excluding interest expense and fees on bank credit facility	1.90 %*	--	--	--	--	--	--	--	-		
Net expenses excluding commercial paper interest expense and fees (6)	N/A	2.07 %	1.91 %	1.76 %	1.56 %	1.57 %	1.59 %	1.57 %	1		
Total expenses excluding commercial paper interest expense and fees (6)	N/A	2.20 %	2.03 %	1.91 %	1.70 %	1.71 %	1.73 %	1.71 %	1		
Commercial paper fees and interest expense (6)	N/A	0.43 %	0.98 %	1.71 %	2.06 %	1.98 %	1.31 %	0.69 %	0		
Net investment income	5.15 %*	4.73 %	5.43 %	8.62 %	8.52 %	6.96 %	7.00 %	6.34 %	7		
Portfolio turnover rate	10 %	51 %	73 %	54 %	74 %	96 %	80 %	99 %	9		

Leverage analysis (000's omitted):									
Outstanding loan balance under the bank credit facility, end of period	$13,300	$20,000	N/A	N/A	N/A	N/A	N/A	N/A	N
Aggregate amount of commercial paper outstanding, end of period	N/A	N/A	$ 10,000	$ 10,000	$55,000	$55,000	$55,000	$55,000	$5
Average daily balance of amortized cost of commercial paper outstanding	N/A	N/A	$ 9,960	$ 47,921	$54,790	$54,659	$54,794	$54,052	$4
Asset coverage per $1,000, end of period	N/A	N/A	$ 7,425	$ 15,880	$3,903	$3,980	$3,679	$3,680	$3

(1) The per share amounts were calculated using the average number of common shares outstanding during the period.

(2) Total return on a market value basis is calculated assuming a purchase of common stock on the opening of the first day and a sale on the closing of the last day of each period reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Fund's Dividend Reinvestment Plan. Generally, total return on a net asset value basis will be higher than total return on a market value basis in periods where there is an increase in the discount or a decrease in the premium of the market value to the net asset value from the beginning to the end of such periods. Conversely, total return on a net asset value basis will be lower than total return on a market value basis in periods where there is a decrease in the discount or an increase in the premium of the market value to the net asset value from the beginning to the end of such periods. Total return calculated for a period of less than one year is not annualized. The calculation does not reflect brokerage commissions, if any.

(3) Expenses and income ratios do not include expenses incurred by the acquired funds in which the Fund invests.

(4) "Net expenses" are the expenses of the Fund presented in the Statement of Operations after fee waivers.

(5) "Total expenses" are the expenses of the Fund as presented in the Statement of Operations before fee waivers.

(6) Effective April 26, 2010, the Fund replaced its commercial paper program with a bank line of credit facility.

* Annualized.

N/A means not applicable.

THE RIGHTS OFFERING

Purpose of the Offering

The Board has determined that it would be in the best interests of the Fund and its stockholders to increase the assets of the Fund and that the rights offering is currently an effective and efficient way to do so. In reaching its conclusion to approve the rights offering on the terms set out in this prospectus, the Board considered the advice and recommendations of the Investment Manager and was advised by Fund counsel. In March 2011, the Board considered the Fund's strategy and long range planning initiatives, such as potential strategies for growth and stockholder value, including, among other things, rights offerings. The Board then established a Rights Committee to consider the potential rights offering and to make a recommendation to the Board. After consideration at special meetings held on June 1, 2011, June 8, 2011, and July 13, 2011, the Rights Committee recommended that the Board approve the rights offering on the terms set out in this prospectus. The Rights Committee of the Board consists of the three Directors who are not "interested persons" of the Fund as defined under the 1940 Act ("Independent Directors"). See "Management of the Fund—Board of Directors and Executive Officers" in the SAI.

In connection with its conclusion to approve the rights offering, the Board considered, among other things, the following factors:

(i) Opportunity to Purchase Below Both the Then Current Market Price and the Fund's Net Asset Value Per Share — The Board considered the Subscription Price noting that the rights offering provides an exclusive opportunity to Record Date stockholders to purchase Shares of the Fund at a price below both the then current market price and the Fund's NAV per share. The Board established the Subscription Price and the 1-for-3 share for Rights exchange ratio based on the recommendations of the Investment Manager and with a view toward, among other things, providing an incentive to stockholders to exercise Rights.

(ii) Potential Ownership and Net Asset Value Dilution — The Board took into account that stockholders who do not fully exercise their Rights will own, upon completion of the rights offering, a smaller proportional interest in the Fund than they owned before the rights offering. The Board also considered that because the Subscription Price per Share will be less than the then current NAV per Share, the completion of the rights offering will result in an immediate dilution of the NAV per Share for all existing stockholders, irrespective of whether they exercise all or a portion of their Rights.

(iii) Increase in Capital — The Board considered the increased equity capital to be available upon completion of a fully subscribed rights offering, including the issuance of Shares pursuant to the Over-Subscription Privilege, that could be used for making additional investments consistent with the Fund's investment objectives. The Investment Manager advised the Board that it believed such additional capital could be deployed in an effective and timely manner consistent with the Fund's investment objectives. The Board considered that the current market environment for below investment grade securities may change, which may adversely affect the Fund's ability to invest the proceeds of the rights offering in securities that provide a yield at least equal to the current yield of the securities in the Fund's portfolio. The Board noted the fact that the increase in capital is not necessarily anticipated to cause the Fund to be less leveraged than it is currently, as the Fund may increase its borrowings should it determine to increase its leverage following the completion of the rights offering.

(iv) Alternative Capital Raising Methods — The Board considered various other capital-raising alternatives, including conducting a secondary offering of Shares, conducting at-the-market offerings, and conducting a transferable rights offering. The Board also considered the effect on the Fund if the rights offering is undersubscribed. The Board considered the benefits and drawbacks of conducting a transferable versus a non-transferable rights offering. In this regard the Board considered the conclusions of the Investment Manager, which advised the Board that a non-transferable rights offering under terms generally consistent with the terms in this prospectus appeared at that time to be the best alternative for the Fund to raise additional capital and that an underwriter or dealer is not always necessary or desirable for a non-transferable rights offering.

(v) Size of the Rights Offering — The Board considered the size of the rights offering in relation to the number of Shares outstanding. Based on recommendations from the Investment Manager, the Board decided on a 1-for-3 rights offering with an Over-Subscription Privilege.

(vi) Condition of the Securities Markets — The Board took into account the Investment Manager's belief that the condition of the securities markets appeared supportive of a potential rights offering by the Fund and, as noted above, the potential to invest the proceeds of the rights offering in securities in an effective and timely manner consistent with the Fund's investment objectives.

(vii) Possible Greater Visibility for the Fund and Liquidity for the Shares — The Board took into account the Investment Manager's belief that a larger number of outstanding Shares could increase the level of market interest in and visibility of the Fund and improve the trading liquidity of the Fund's Shares on the NYSE.

(viii) Possible Modest Reduction in Expense Ratio — The Board was advised by the Investment Manager that the increase in assets may result in a modestly lower expense ratio for the Fund by spreading the Fund's fixed costs over a larger asset base. However, the Board considered that savings from a reduced expense ratio would be offset at first by the expenses of the rights offering and dilution.

(ix) Possible Impact on the Fund's Managed Distribution Policy — The Board also considered the potential impact of the rights offering on the Fund's managed distribution policy. For a further discussion of the impact of the rights offering on the Fund's distributions. See "Distribution Policy."

(x) Investment Manager's Conflict of Interest — The Board considered that the Investment Manager has an inherent conflict of interest in recommending the rights offering because the Fund pays fees to the Investment Manager based on a percentage of the Fund's assets and the Investment Manager will benefit from the increase in Fund assets that is expected to result from the rights offering. The Board also considered that one of the Fund's Directors who voted to authorize the rights offering is an "interested person" of the Investment Manager within the meaning of the 1940 Act due to his affiliation with the Investment Manager and may benefit indirectly from the rights offering because of his interest in the Investment Manager. See "Management of the Fund—The Investment Manager" in this prospectus and "Management of the Fund—Board of Directors and Executive Officers" in the SAI.

NO ASSURANCES CAN BE GIVEN AS TO THE AMOUNT OF DILUTION THAT A STOCKHOLDER WILL EXPERIENCE, THE EFFECT OF THE RIGHTS OFFERING ON THE FUND'S STOCK PRICE, THAT ANY ANTICIPATED BENEFITS FROM THE RIGHTS OFFERING NOTED ABOVE WILL BE ACHIEVED, OR THAT THIS RIGHTS OFFERING WILL BE SUCCESSFUL.

ALTHOUGH THE FUND HAS NO CURRENT INTENTION TO DO SO, THE FUND MAY, IN THE FUTURE AND IN ITS DISCRETION, CHOOSE TO MAKE ADDITIONAL RIGHTS OFFERINGS FROM TIME TO TIME FOR A NUMBER OF SHARES AND ON TERMS WHICH MAY OR MAY NOT BE SIMILAR TO THIS RIGHTS OFFERING. ANY SUCH FUTURE RIGHTS OFFERING WILL BE MADE IN ACCORDANCE WITH THE 1940 ACT AND THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT").

Terms of the Offering

The Fund is issuing to its Record Date stockholders Rights to subscribe for up to an aggregate of 5,680,000 new Shares, par value $0.01 per Share. In certain circumstances described under "The Rights Offering—Over Subscription Privilege," the Fund may increase the number of Shares subject to subscription by up to 25%, or up to an additional 1,420,000 Shares, for an aggregate total of 7,100,000 Shares. Each Record Date stockholder will receive one Right for each outstanding Share owned on the Record Date rounded up to the nearest number of Rights evenly divisible by three. The Rights entitle each holder to purchase one new Share for each three Rights held. The Fund will not issue fractional Shares upon the exercise of fewer than three Rights. If a Record Date stockholder exercises all of the Rights he or she received in the Primary Subscription, that stockholder also may subscribe for additional Shares pursuant to the Over-Subscription Privilege.

The Subscription Price per Share will be equal to 95% of the lower of the NAV per Share at the close of trading on the Expiration Date or the average of the volume weighted average sales price of a Share on the NYSE on the Expiration Date and the four preceding trading days.

Rights may be exercised at any time during the Subscription Period, unless the rights offering is terminated or extended. See “Expiration of the Offering” and “Termination of the Offering” below. Completed Subscription Certificates together with proper payment of the estimated purchase price for all Shares subscribed for in the Primary Subscription and the Over-Subscription Privilege or a Notice of Guaranteed Delivery must be received by the Subscription Agent, IST Shareholder Services, Attention: Rights Department, at its address 209 West Jackson Boulevard, Suite, 903, Chicago, IL 60606, Tel 1-800-757-5755, before 5:00 p.m., ET, on or before the Expiration Date.

If you own your Shares through an intermediary, such as a broker, bank, or trust company, or other financial institution or nominee you may contact your intermediary who can arrange, on your behalf, to guarantee delivery of a properly completed and executed Subscription Certificate pursuant to a Notice of Guaranteed Delivery to the Subscription Agent. If your Shares are held in certificate form or by the IST Shareholder Services, also the Fund’s transfer agent, you may exercise your Rights by completing and signing the Subscription Certificate that accompanies this prospectus and mailing it in the envelope provided, or otherwise delivering it, to the Subscription Agent, together with payment of the estimated purchase price for the Shares. See “The Rights Offering – Methods for Exercising Rights” and “The Rights Offering – Payment for Shares.”

The Altman Group serves as the Fund’s Information Agent in connection with this rights offering. Any questions or requests for assistance or for additional copies of this prospectus or Subscription Certificates may be directed to the Information Agent at 1-877-732-3616.See “The Rights Offering – Information Agent.” The Rights are being offered directly by the Fund without the services of an underwriter or dealer.

For purposes of determining the number of Shares a stockholder may acquire pursuant to the rights offering, broker-dealers, banks, trust companies, or others whose Shares are held “of record” by Cede or by any other depository or nominee will be deemed to be the holders of the Rights that are issued to Cede or the other depository or nominee on their behalf. Stockholders who own Shares held in joint accounts, Dividend Reinvestment Plan accounts, or retirement accounts will not be permitted to aggregate Rights issued for Shares held in those types of accounts with Rights issued with respect to Shares that the stockholder owns in his or her individual account.

There is no minimum number of Rights that must be exercised for the rights offering to close.

The Rights are not transferable. You may not purchase or sell them. The Rights will not trade on the NYSE or any other exchange. The Shares to be issued upon the exercise of the Rights, however, will trade on the NYSE under the symbol “DNI.” If you do not exercise your Rights before the conclusion of this rights offering, your Rights will expire without value and shall thereafter be subject to Over-Subscription Privileges of other Record Date stockholders as described below.

Over-Subscription Privilege

Shares not subscribed for by Rights holders will be offered, by means of the Over-Subscription Privilege, to Record Date stockholders who have fully exercised the Rights issued to them and who wish to acquire more than the number of Shares they are entitled to purchase pursuant to the Primary Subscription. Stockholders should indicate, on the Subscription Certificate that they submit with respect to the exercise of the Rights issued to them, how many additional Shares they are willing to acquire pursuant to the Over-Subscription Privilege.

If sufficient Primary Subscription Shares are available after completion of the Primary Subscription, all over-subscription requests that are timely received will be honored in full. If sufficient Primary Subscription Shares are not available to honor all over-subscription requests, the Fund may, at the discretion of its Board, increase the number of Shares subject to subscription by up to 25% of the Primary Subscription Shares, or up to an additional 1,420,000 new Shares, to cover such over-subscription requests. Regardless of whether the Fund issues such Secondary Subscription Shares and to the extent sufficient Shares are not available to honor all over-subscription requests, the available Shares will be allocated pro rata among those who over-subscribe based on the number of Shares owned by them on the Record Date, but in no event will the number of Shares allocated to a stockholder exceed the number the stockholder subscribed for. The allocation process may involve a series of allocations to ensure that the total number of Shares available for over-subscriptions is distributed on a pro rata basis.

Brokers, banks, or trust companies, or other nominee holders of Rights may be required to certify to the Subscription Agent, before any Over-Subscription Privilege may be exercised with respect to any particular beneficial owner, as to the aggregate number of Rights exercised pursuant to the Primary Subscription and the number of Shares subscribed for pursuant to the Over-Subscription Privilege by such beneficial owner and that such beneficial owner's Primary Subscription was exercised in full. Nominee holder over-subscription certificates and beneficial owner listing certification forms may be distributed to brokers, banks, or trust companies, or other nominee holders with the Subscription Certificates.

The Fund will not offer or sell in connection with this rights offering any Shares that are not subscribed for pursuant to the Primary Subscription or the Over-Subscription Privilege. To the extent stockholders do not exercise all of the Rights issued to them, and stockholders who have exercised their Rights do not wish to participate in the Over-Subscription Privilege, the Fund will deregister those underlying Shares not sold under this rights offering.

The Subscription Price

The Subscription Price per Share will be 95% of the lower of (a) the Fund's NAV per Share or (b) the market price per Share. For this purpose, the NAV per Share will be determined as of the Expiration Date, and the market price per Share will be the average of the volume weighted average sales price of a Share on the NYSE on the Expiration Date and the four preceding trading days. As of November 11, 2011, the NAV per Share was $4.28 and the average of the volume weighted average sales price of a Share on the NYSE on November 11, 2011 and the four preceding trading days was $3.66 for an estimated Subscription Price of $3.48 per Share. Because the Expiration Date is the last day of the Subscription Period, Record Date stockholders who choose to exercise their Rights will not know the actual Subscription Price at the time they exercise such Rights. See "The Rights Offering—Payment for Shares" below.

The NAV per Share on November 11, 2011 was $4.28 and the last reported sales price of a Share as reported by the NYSE was $3.64.

Expiration of the Offering

The rights offering will expire at 5:00 p.m., ET, on December 23, 2011, unless extended by the Fund until 5:00 p.m., ET, to a date no later than January 10, 2012. The Rights will expire on the Expiration Date of the rights offering and thereafter may not be exercised. Any extension of the rights offering will be followed as promptly as practicable by announcement thereof. Without limiting the manner in which the Fund may choose to make such announcement, the Fund will not, unless otherwise required by law, have any obligation to publish, advertise, or otherwise communicate any such announcement other than by issuing a press release or such other means of announcement as the Fund deems appropriate.

Termination of the Offering

The Fund may terminate the rights offering at any time and for any reason before the Expiration Date. If the Fund terminates the rights offering, the Fund will issue a press release announcing such termination and will direct the Subscription Agent to return, without interest, all subscription proceeds received to such stockholders who had elected to purchase Shares.

Information Agent

The Altman Group serves as the Fund's Information Agent in connection with this rights offering. Any questions or requests for assistance concerning the method of subscribing for Shares or for additional copies of this prospectus or Subscription Certificates or notices may be directed to the Information Agent toll free at 1-877-732-3616. Stockholders may also contact their brokers, banks or nominees for information with respect to this rights offering. The Information Agent will receive a fee estimated to be $5,000, plus reimbursement for its out-of-pocket expenses related to the rights offering.

Subscription Agent

The Subscription Agent is IST Shareholder Services. The Subscription Agent will receive for its administrative, processing, invoicing, and other services a fee estimated to be approximately $500, plus reimbursement for all out-of-pocket expenses related to this rights offering.

Completed Subscription Certificates must be sent together with proper payment of the estimated purchase price for all Shares subscribed for in the Primary Subscription and the Over-Subscription Privilege to the Subscription Agent within the prescribed time period by first class mail, express mail, overnight courier or by hand (9:00 a.m. – 5:00 p.m. ET) to the address listed below:

IST Shareholder Services
Attention: Rights Department
209 West Jackson Boulevard, Suite, 903
Chicago, IL 60606
Tel 1-800-757-5755

Delivery to an address other than the address listed above will not constitute valid delivery.

Methods for Exercising Rights

Rights are evidenced by Subscription Certificates that, except as described below under "Foreign Restrictions," will be mailed to Record Date stockholders or, if a Record Date stockholder's Shares are held by Cede or any other depository or nominee on their behalf, to Cede or such depository or nominee.

Record Date stockholders whose Shares are held by a nominee, such as a broker, bank or trust company, or other financial institution or nominee may exercise their Rights by requesting the nominee to guarantee delivery of a properly completed and executed Subscription Certificate pursuant to a Notice of Guaranteed Delivery and payment for the Shares on the stockholder's behalf. The nominee may charge a fee for this service.

Stockholders whose Shares are held in an account with the Fund's transfer agent or in certificate form may exercise their Rights by completing and executing the Subscription Certificate and mailing it in the envelope provided, or otherwise delivering the completed and signed Subscription Certificate to the Subscription Agent, together with payment for the Shares as described below under "Payment for Shares." The instructions accompanying the Subscription Certificates should be read carefully and followed in detail.

The Subscription Certificate and payment should be delivered to the Subscription Agent, IST Shareholder Services, by first class mail, express mail, overnight courier or by hand (9:00 a.m. – 5:00 p.m. ET) to the address listed below:

IST Shareholder Services

Attention: Rights Department
209 West Jackson Boulevard, Suite, 903
Chicago, IL 60606
Tel 1-800-757-5755

Delivery to an address other than the above does not constitute good delivery.

Completed Subscription Certificates and payment must be received by the Subscription Agent as set forth above before 5:00 p.m., ET, on or before the Expiration Date (unless payment is to be effected by means of a Notice of Guaranteed Delivery). Do not send Subscription Certificates to the Fund.

All questions as to the validity, form, eligibility (including times of receipt and matters pertaining to beneficial ownership), and the acceptance of Subscription Certificates and the Subscription Price will be determined by the Fund, which determinations will be final and binding. No alternative, conditional, or contingent subscriptions will be accepted. The Fund reserves the right to reject any or all subscriptions not properly submitted or the acceptance of which would, in the opinion of its counsel, be unlawful.

Nominees

Nominees, such as brokers, banks, trust companies, or depositories for securities, who hold Shares for the account of others should notify the respective beneficial owners of the Shares as soon as possible to ascertain the beneficial owners' intentions and to obtain instructions with respect to the Rights. If the beneficial owner so instructs, the nominee should complete the Subscription Certificate and submit it to the Subscription Agent with the proper payment as described under "Payment for Shares" below.

Foreign Restrictions

Subscription certificates will not be mailed to Record Date stockholders whose record addresses are outside the United States or who have an APO or FPO address. Instead, such stockholders will receive written notice of this rights offering as set forth in this prospectus. The Subscription Agent will hold the Rights to which those Subscription Certificates relate for such stockholders' accounts until instructions are received to exercise the Rights, subject to applicable law. If no instructions have been received by 5:00 p.m., ET, on December 20, 2011, three business days before the Expiration Date (or, if the Subscription Period is extended, on or before three business days before the extended Expiration Date), the Fund will consider such Rights as having not been exercised and shall be subject to other stockholders who have elected to exercise Over-Subscription Privileges as described herein.

Payment for Shares

Payment for Shares to be acquired by exercising Rights holders pursuant to this rights offering may be made as follows:

(1) Send a personal check, money order, certified check, bank cashier's check or wire payment, together with the completed Subscription Certificate, to the Subscription Agent in an amount equal to the estimated Subscription Price per Share of $3.48 multiplied by the total number of Shares for which you are exercising your Rights, including pursuant to the Over-Subscription Privilege. All payments by an exercising Rights holder must be in U.S. dollars, drawn on a bank or branch located in the United States and payable to IST Shareholder Services. No third party checks will be accepted. Personal checks must be received by the Subscription Agent at least five business days before the Expiration Date so the check may clear before the Expiration Date. Money orders, certified and cashier's checks, and wire payments must be received by the Subscription Agent no later than 5:00 p.m. ET on the Expiration Date; or

(2) Record Date stockholders whose Shares are held in an account by a nominee, such as a broker, bank or trust company may request such institution guarantee delivery of a properly executed Subscription Certificate and payment for the Shares on the stockholder's behalf by delivering a Notice of Guaranteed Delivery to the Subscription Agent no later than 5:00 p.m. ET on the Expiration Date. The institution may charge a fee for this service. Actual payment for the Shares based on the estimated Subscription Price, together with the executed Subscription Certificate, must be received by the Subscription Agent no later than 5:00 p.m. ET on December 29, 2011, which date is the third business

day after the Expiration Date.

The Subscription Agent will deposit all funds received by it prior to the final payment date into a segregated interest-bearing account (which interest will accrue to the benefit of the Fund) pending pro-ration and distribution of the Shares.

THE METHOD OF DELIVERY OF SUBSCRIPTION CERTIFICATES AND PAYMENT OF THE SUBSCRIPTION PRICE TO THE SUBSCRIPTION AGENT WILL BE AT THE ELECTION AND RISK OF THE EXERCISING RIGHTS HOLDERS. IF SENT BY MAIL IT IS RECOMMENDED THAT SUCH CERTIFICATES AND PAYMENTS BE SENT BY REGISTERED MAIL, PROPERLY INSURED, WITH RETURN RECEIPT REQUESTED, AND THAT A SUFFICIENT NUMBER OF DAYS BE ALLOWED TO ENSURE DELIVERY TO THE SUBSCRIPTION AGENT AND CLEARANCE OF PAYMENT BEFORE 5:00 P.M., ET, ON THE RELEVANT DATE(S). PERSONAL CHECKS MUST BE RECEIVED BY THE SUBSCRIPTION AGENT AT LEAST FIVE BUSINESS DAYS BEFORE THE EXPIRATION DATE SO THE CHECK MAY CLEAR BEFORE THE EXPIRATION DATE.

No later than the Confirmation Date, the Subscription Agent will send to each exercising Rights holder (or, if Shares are held by Cede or any other depository or nominee, to Cede or such other depository or nominee) a confirmation showing (1) the number of Shares purchased pursuant to the Primary Subscription; (2) the number of Shares, if any, acquired pursuant to the Over-Subscription Privilege; (3) the per Share and total purchase price for the Shares; and (4) any additional amount payable to the Fund by the exercising Rights holder or any excess to be refunded by the Fund to the exercising Rights holder, in each case based on the estimated Subscription Price as determined on the Expiration Date. If any exercising Rights holder, if eligible, exercises such holder’s right to acquire Shares pursuant to the Over-Subscription Privilege, any excess payment that would otherwise be refunded to such holder will be applied by the Fund toward payment for Shares acquired pursuant to the exercise of the Over-Subscription Privilege. Any additional payment required from an exercising Rights holder must be received by the Subscription Agent within ten (10) business days after the Confirmation Date. Any excess payment to be refunded by the Fund to an exercising Rights holder will be mailed by the Subscription Agent to the Rights holder, without interest, as promptly as practicable.

If an exercising Rights holder who subscribes for Shares pursuant to the Primary Subscription or Over-Subscription Privilege does not make payment of any amounts due by the relevant date, the Subscription Agent reserves the right to take any or all of the following actions: (1) consider any Rights not fully paid for as unsubscribed and therefore subject to other stockholders who have elected to exercise Over-Subscription Privileges; (2) apply any payment actually received by it from the exercising Rights holder toward the purchase of the greatest whole number of Shares which could be acquired by such exercising Rights holder upon exercise of the Primary Subscription and/or the Over-Subscription Privilege; and/or (3) exercise any and all other rights or remedies to which it may be entitled, including the right to set off against payments actually received by it with respect to such subscribed for Shares, or the commencement of an action to collect the subscription payment, which may include all costs of collection and reasonable attorney’s fees.

All questions concerning the timeliness, validity, form, and eligibility of any exercise of Rights will be determined by the Fund, whose determinations will be final and binding. The Fund, in its sole discretion, may waive any defect or irregularity, or permit a defect or irregularity to be corrected within such time as the Fund may determine, or reject the purported exercise of any Right.

Subscriptions will not be deemed to have been received or accepted until all irregularities have been waived or cured within such time as the Fund determines in its sole discretion. The Subscription Agent will not be under any duty to give notification of any defect or irregularity in connection with the submission of Subscription Certificates or incur any liability for failure to give such notification.

Exercising Rights holders will have no right to rescind their purchase after the Subscription Agent has received payment, either by means of a Notice of Guaranteed delivery or a check, money order or wire payment, except under the circumstances described below under “Notice of Net Asset Value Decline.” Notwithstanding the foregoing, the Fund may cancel this rights offering before the Expiration Date, even after the Rights have been distributed and subscriptions have been received.

Notice of Net Asset Value Decline

As required by the SEC, the Fund will suspend the rights offering until it amends this prospectus if, after the effective date of this prospectus, the Fund's NAV declines more than 10% from the Fund's NAV as of that date. In such event, the Expiration Date would be extended and the Fund would notify Record Date stockholders of the decline and permit exercising Rights holders to cancel their exercise of Rights. Right holders will have their payment for additional Shares returned to them if they opt to cancel the exercise of their Rights.

Delivery of Shares

Stockholders whose Shares are held of record by Cede or by any other depository or nominee on their behalf or their broker-dealers' behalf will have any Shares that they acquire in the rights offering credited to the account of Cede or the other depository or nominee. Stockholders whose Shares are held for them in book entry form by the transfer agent will have any Shares they acquire in the rights offering credited in book entry form to their account with the transfer agent. Share certificates will not be issued.

Participants in the Fund's Dividend Reinvestment Plan will be issued Rights for the Shares held in their accounts in the Plan. Participants wishing to exercise these Rights must exercise these Rights in accordance with the procedures set forth above in "Method of Exercise of Rights." Rights will not be exercised automatically by the Plan. Plan participants exercising their Rights will receive their Shares via an uncertificated credit to their existing account.

USE OF PROCEEDS

The net proceeds to the Fund from this rights offering are estimated to be $19,391,400, assuming the Primary Subscription is fully subscribed at the estimated Subscription Price of $3.48 and after deducting expenses related to this rights offering estimated to be approximately $375,000. If the Fund increases the number of Shares subject to subscription by 25% in connection with the Over-Subscription Privilege, the total estimated net proceeds to the Fund would be $24,333,000, after deducting expenses related to this rights offering, assuming the Over-Subscription Privilege is fully subscribed.

The Fund will invest the net proceeds of the rights offering in accordance with the Fund's investment objectives and policies. The Investment Manager anticipates that investment of the proceeds will occur within 90 of the completion of the rights offering. To the extent there is any delay in investing the proceeds of the rights offering, the Fund may invest in U.S. government securities, high quality, short term fixed income instruments, cash or cash equivalents, including money market funds, pending investment of the proceeds. The Fund does not currently anticipate an increase in leverage following the completion of the rights offering; however, the Fund reserves the right to adjust leverage from time to time. See "Investment Objectives, Policies and Strategies—Leverage."

THE FUND

The Fund is a diversified, closed end management investment company with Shares listed on the NYSE under the symbol "DNI." As of October 24, 2011, the Fund had 16,921,198 Shares outstanding. Registered under the 1940 Act, the Fund was incorporated under the laws of the State of Maryland on April 6, 1998 and commenced investment operations on June 29, 1998.

INVESTMENT OBJECTIVES, POLICIES, AND STRATEGIES

Investment Objectives and Policies

The Fund's primary investment objective is to seek high current income. Capital appreciation is a secondary objective. The investment objectives of the Fund are fundamental policies that may not be changed without a vote of a majority of the Fund's outstanding voting securities. The Fund is also subject to certain investment restrictions, set forth in its SAI, that are fundamental and cannot be changed without such vote. A majority of the outstanding voting securities of the Fund is defined under the 1940 Act as the lesser of: (i) 67% or more of the Fund's shares present at a meeting if more than 50% of the outstanding shares of the Fund are present and represented by proxy; or (ii) more than 50% of the outstanding shares of the Fund. All other investment strategies, policies, and restrictions described herein and in the SAI are not fundamental and may be changed by the Board without shareholder approval except as required by law.

The Fund seeks to achieve its objectives by investing, under normal circumstances, at least 50% of its total assets in Income Generating Equity Securities, including dividend paying common stocks, convertible securities, preferred stocks, securities of registered investment companies (including, but not limited to, closed end funds, open end funds, and BDCs) (collectively, "investment companies"), ETFs organized as investment companies or otherwise, REITs, depositary receipts, and other equity related securities (collectively, "Income Generating Equity Securities"). The Fund may invest in fixed income securities ("Debt Securities"), including bonds issued by domestic and foreign corporate entities and U.S. government securities. The Debt Securities in which the Fund may invest may be structured as fixed rate debt, floating rate debt, and debt that may not pay interest at the time of issuance. The Fund may also invest in securities of other issuers, including investment companies, ETFs and REITs, deemed by the Investment Manager not to be Income Generating Equity Securities based on the issuer's income generation, objectives, policies, holdings, or similar criteria. The Fund may invest in securities of domestic or foreign issuers of any size. The Fund attempts to reduce individual security risk by diversifying across many industries and asset classes. There is no assurance the Fund will achieve its investment objectives.

The Debt Securities in which the Fund may invest include high yield, high risk securities which are rated below investment grade, including the lowest rating categories, or are unrated but are determined by the Investment Manager to be of comparable quality, and are considered speculative and subject to certain risks that may be greater than those of higher rated securities. Securities rated below investment grade are those rated below "Baa" by Moody's or below "BBB" by S&P. The Fund normally will not invest more than 50% of its total assets in below investment grade Debt Securities, commonly known as junk bonds. Certain Income Generating Equity Securities in which the Fund may invest, including convertible securities and preferred stocks, may also be rated below investment grade and generally will have characteristics similar to those of lower rated Debt Securities. The Fund will not, however, normally invest in convertible securities rated below "C" by Moody's or "CC" by S&P. Such investments are in addition to investments in below investment grade Debt Securities. For a description of the risks associated with an investment in securities rated below investment grade, see "Special Considerations and Risk Factors" below.

The Fund is permitted to invest in shares of registered investment companies to the extent permitted by the 1940 Act. Investment company shares held by the Fund may be deemed by the Investment Manager to be Income Generating Equity Securities, Debt Securities, or otherwise, depending on the income generation, objectives, policies, holdings, or similar criteria of the investment company. In accordance with the 1940 Act, the Fund will be limited in the amount the Fund and its affiliates can invest in any one investment company to 3% of the investment company's total outstanding stock. As a result, the Fund may hold a smaller position in such investment company than if it were not subject to this restriction. To comply with provisions of the 1940 Act, on any matter upon which the Fund is solicited to vote as a stockholder in an investment company in which it invests, the Investment Manager votes such shares in the same general proportion as shares held by other stockholders of that investment company. The Fund does not invest in any investment companies managed by the Investment Manager or its affiliates. Investment companies incur advisory fees and other expenses. The Fund, as a stockholder, will indirectly bear its pro rata portion of such fees and expenses in addition to the Fund’s direct fees and expenses.

In seeking to enhance returns, the Fund may employ leverage to the extent permitted under the 1940 Act. See "Leverage" below. The Fund may also engage in the sale of covered call options. The Fund may not make short sales of securities or purchase securities on margin except for delayed delivery or when-issued transactions or such short term credits as are necessary for the clearance of transactions and the writing of call options on securities. The Fund may trade securities actively in pursuit of its investment objectives. The Fund also may lend its portfolio securities to brokers, dealers, and other financial institutions.

The Fund may, from time to time, make temporary investments for defensive purposes that are inconsistent with the Fund's principal investment strategies in attempting to respond to adverse market, economic, political or other conditions, pending investment of the proceeds of sales of portfolio securities, pending investment of the proceeds from this rights offering, or at other times when suitable investments are not otherwise available. To the extent the Fund takes temporary defensive positions, it may not achieve its investment objectives.

See "Additional Information About the Fund's Investment Program" in the SAI.

Investment Strategy

When selecting Income Generating Equity Securities for the Fund, the Investment Manager will normally emphasize those with a yield anticipated to be greater than or comparable to that of the average dividend yield of S&P 500 Index. After identifying qualifying Income Generating Equity Securities, the Investment Manager will typically apply fundamental investment analysis, which may consider yield, financial strength, profitability, growth potential, and risks, as well as other considerations, such as market, sector, or industry diversification, to select the Fund's specific portfolio securities. The industry sector weightings in the Income Generating Equity Securities portion of the Fund's portfolio are determined based on the Investment Manager's research. Except for securities related to the U.S. government, no more than 25% of the Fund's total assets will be invested in any one industry nor, as to 75% of the Fund's total assets, will more than 5% be invested in securities of any one issuer.

When selecting Debt Securities for the Fund, the Investment Manager will seek investments that offer a high a level of current income consistent with reasonable risk in light of the nature of the investments. Debt Securities under consideration for the Fund's portfolio normally will be analyzed by the Investment Manager based on fundamental factors, including yield, financial and operating strength, and risk, and other considerations, including marketability, relative value characteristics, and general credit trends. The Fund will generally invest in such securities presenting, in the Investment Manager's opinion, the potential for investment returns consistent with the Fund's investment objectives.

The Investment Manager generally considers a variety of factors when determining whether to sell a security in the Fund's portfolio and may sell a security at any time in its discretion. A security is typically sold when its potential to meet the Fund's investment objectives is limited or exceeded by another potential investment or when an investment no longer appears to meet the Fund's investment objectives.

The following is additional information about some of the securities in which the Fund may invest and some of the investment techniques the Fund may use. For additional information about the Fund's investment policies and strategies, see "Additional Information About the Fund's Investment Program" in the SAI.

Income Generating Equity Securities. Equity securities include common stocks, preferred stocks, and convertible securities (each discussed below). Inasmuch as the Fund's primary investment objective is to seek high current income and capital appreciation is a secondary objective, when selecting equity securities for investment, the Investment Manager typically will focus primarily on a security's income paying capacity, as secondarily on its potential for capital appreciation. The Fund attempts to reduce individual security risk by diversifying across many industries, such as utility, real estate, financial, energy, healthcare, transportation, technology, and other industries. The Fund may hold or have exposure to equity stocks of issuers of any size (in terms of market capitalization or otherwise) and in any industry or sector.

- Common Stock. Common stock represents an equity ownership interest in a corporation, providing voting rights and entitling the holder to a share of the company's success through dividends and/or capital appreciation. In the event of liquidation, common stockholders have rights to a company's remaining assets after bond holders, other debt holders, and preferred stockholders have been paid in full. Typically, common stockholders are entitled to one vote per share to elect the company's board of directors (although the number of votes is not always directly proportionate to the number of shares owned). Common stockholders also receive voting rights regarding other company matters such as mergers and certain important company policies, such as issuing securities to management.

- Preferred Stock. Preferred stock represents an equity ownership interest in a corporation, but generally entitles the holder to receive, in preference to the holders of other stocks such as common stocks, dividends and a fixed share of the proceeds resulting from liquidation of the company. Some preferred stock also entitles their holders to receive additional liquidation proceeds on the same basis as holders of a company's common stock. Some preferred stock offers a fixed rate of return with no maturity date. Preferred stock with no maturity may perform similarly to long term bonds, and can be more volatile than other types of preferred stock with heightened sensitivity to changes in interest rates. Other preferred stock has a variable dividend, generally determined on a quarterly or other periodic basis. Because preferred stock represents an equity ownership interest in a company, its value usually will react more strongly than bonds and other debt instruments to actual or perceived changes in a company's financial condition or prospects or to fluctuations in the equity markets. Unlike common stock, preferred stock does not usually have voting rights absent the occurrence of specified events; preferred stock, in some instances, is convertible into common stock. In order to be payable, dividends on preferred stock must be declared by the issuer's board of directors. There is, however, no assurance that dividends will be declared by the boards of directors of issuers of the preferred stocks in which the Fund invests.

- Convertible Securities. Convertible securities include corporate bonds, debentures, notes, preferred stocks, and other securities that entitle the holder to acquire common stock or other equity securities of the same or a different issuer. Convertible securities have general characteristics similar to both debt and equity securities. A convertible security generally entitles the holder to receive interest or preferred dividends paid or accrued until the convertible security matures or is redeemed, converted, or exchanged. Convertible securities generally rank senior to common stock in a corporation's capital structure and, therefore, generally entail less risk than the corporation's common stock, although the extent to which such risk is reduced depends in large measure upon the degree to which the convertible security sells above its value as a debt obligation. Convertible securities are generally convertible either at a stated price or a stated rate (that is, for a specific number of shares of common stock or other security).

Before conversion, convertible securities have characteristics similar to non-convertible obligations. The price of a convertible security to some extent varies inversely with interest rates. While providing a fixed income stream (generally higher in yield than the income derivable from a common stock but lower than that afforded by a non-convertible debt security), a convertible security also provides an opportunity, through its conversion feature, to participate in the capital appreciation of the common stock or other equity security into which it is convertible. As the market price of the underlying equity security declines, convertible securities tend to trade increasingly on a yield basis and so may not experience market value declines to the same extent as the underlying equity security. When the market price of the underlying equity security increases, the price of a convertible security tends to rise as a reflection of the value of the underlying equity security. To obtain the higher yield, to the extent the Fund invests in convertible securities, it may be required to pay a purchase amount in excess of the value of the underlying equity security.

Debt Securities. A debt security represents money borrowed that must be repaid. Debt securities include bonds, bills, notes, debentures, commercial paper and other debt obligations. Unlike common and preferred stock, a debt security does not represent an equity interest in the issuer. However, a debt security has a priority of claim over common stockholders if the issuer is liquidated. The Fund may invest in a wide variety of Debt Securities, although the Investment Manager anticipates, under normal market conditions, the Debt Securities in which the Fund invests will be primarily corporate bonds and U.S. government securities.

- Corporate Bonds. Corporate bonds are debt obligations issued by U.S. and foreign corporations and other business entities. Corporate bonds may be either secured or unsecured. Collateral used for secured debt includes, but is not limited to, real property, machinery, equipment, accounts receivable, stocks, bonds, or notes. If a bond is unsecured, it is known as a debenture. Bondholders, as creditors, have a prior legal claim over common and preferred stockholders as to both income and assets of the corporation for the principal and interest due them and may have a prior claim over other creditors if liens or mortgages are involved. Interest on corporate bonds may be fixed rate, floating rate, adjustable rate, zero coupon, contingent, deferred, or have payment-in-kind features. Interest on corporate bonds is typically paid semi-annually and is fully taxable to the bondholder. Corporate bonds contain elements of both interest rate risk and credit risk. The market value of a corporate bond generally may be expected to rise and fall inversely with interest rates and may also be affected by the credit rating of the corporation, the corporation’s performance, and perceptions of the corporation in the marketplace. Corporate bonds usually yield more than government or agency bonds due to the presence of credit risk.

- U.S. Government Securities. The obligations issued or guaranteed by the U.S. government in which the Fund may invest include direct obligations of the U.S. Treasury and obligations issued by U.S. government agencies and instrumentalities. Included among direct obligations of the United States are Treasury Bills, Treasury Notes, and Treasury Bonds, which differ in terms of their interest rates, maturities, and dates of issuance. Not all securities issued by the U.S. government and its agencies and instrumentalities are backed by the full faith and credit of the U.S. Treasury. Included among the obligations issued by agencies and instrumentalities and government sponsored enterprises of the United States are instruments that are supported by the full faith and credit of the United States (such as certificates issued by the Government National Mortgage Association (“Ginnie Mae”), instruments that are supported by the right of the issuer to borrow from the U.S. Treasury (such as securities of Federal Home Loan Banks), and instruments that are supported only by the credit of the instrumentality (such as Federal National Mortgage Association (“Fannie Mae”) or the Federal Home Loan Mortgage Corporation (“Freddie Mac”) bonds). Although the Fund may hold securities that carry U.S. government guarantees, these guarantees do not extend to shares of the Fund itself and do not guarantee the market price of the securities.

Below Investment Grade Securities. Below investment grade securities are securities rated below investment grade quality (lower than Baa by Moody’s or lower than BBB by S&P or comparably rated by another rating agency). Such securities are considered to have speculative elements, with higher vulnerability to default than corporate securities with higher ratings. For a description of securities ratings, please see “Appendix A – Description of Securities Ratings” in the SAI. Subsequent to its purchase by the Fund, an issue of securities may cease to be rated or its rating may be reduced below its rating when purchased by the Fund. Neither event will require sale of such securities by the Fund, although the Investment Manager may consider such event in its determination of whether the Fund should continue to hold the securities.

The ratings of Moody’s, S&P, and the other rating agencies represent their opinions as to the quality of the obligations which they undertake to rate. Ratings are relative and subjective and, although ratings may be useful in evaluating the safety of interest and principal payments, they do not evaluate the market value risk of such obligations. Rating agencies may fail to make timely changes in credit ratings and an issuer’s current financial condition may be better or worse than a rating indicates.

Investment Grade Securities. Investment grade debt securities are securities of medium to high quality that are rated Baa or higher by Moody's, BBB or higher by S&P, or comparably rated by another rating agency or, if unrated, are deemed by the Investment Manager to be of comparable quality. Moody's deems securities rated in its fourth highest category (Baa) to have speculative characteristics; a change in economic factors could lead to a weakened capacity of the issuer to repay.

Securities of Other Investment Companies. The Fund may invest in the securities of other investment companies, including closed end funds, open end funds, ETFs, BDCs, and unit investment trusts, to the extent permitted by the 1940 Act. An investment in an investment company involves risks similar to those of investing directly in the investment company's portfolio securities, including the risk that the value of the portfolio securities may fluctuate in accordance with changes in the financial condition of their issuers, the value of stocks and other securities generally, and other market factors.

In addition, investing in other investment companies involves certain other risks, costs, and expenses for the Fund. To the extent that the Fund invests in the securities of other investment companies, the Fund's stockholders will indirectly bear a pro rata share of the investment company's expenses in addition to the expenses associated with an investment in the Fund. In addition, the Fund could incur a sales charge in connection with purchasing an investment company security or a redemption fee upon the redemption of such security.

Closed end funds, ETFs and BDCs differ from open end funds in that they do not redeem their shares at the option of the stockholder and generally list their shares for trading on a securities exchange. In comparison to open end funds, closed end funds, ETFs and BDCs have greater flexibility in the employment of financial leverage and in the ability to make certain types of investments, including investments in illiquid securities. Shares of closed end funds frequently trade at a discount from their NAV. An investment in the shares of a closed end fund may also involve the payment of a substantial premium over, while sales of such shares may be made at a substantial discount from, the NAV of the issuers' portfolio securities. BDCs are vehicles whose principal business is to invest in, lend capital to, or provide services to privately held companies.

Exchange-traded Funds. The Fund may invest in ETFs. ETFs usually are units of beneficial interest in an investment trust or represent undivided ownership interests in a portfolio of securities. Most ETFs are designed to provide investment results that generally correspond to the price and yield performance of the component securities of the benchmark index that they seek to track, although some are actively managed. ETFs do not sell individual shares directly to investors and only issue their shares in large blocks known as "creation units." The investor purchasing a creation unit may sell the individual shares on a secondary market. Therefore, the liquidity of ETFs depends on the adequacy of the secondary market.

An investment in an ETF involves risks similar to investing directly in the component securities of the ETF, including the risk that the value of the component securities may fluctuate in accordance with changes in the financial condition of their issuers, the value of stocks and other securities generally, and other market factors. Investments in ETFs that are designed to correspond to an equity index involve certain inherent risks generally associated with investments in a broadly based portfolio of common stocks, including the risk that the general level of stock prices may decline, thereby adversely affecting the value of ETFs invested in by the Fund. There can be no assurance that an ETF's investment objective will be achieved, as ETFs based on an index may not replicate and maintain exactly the composition and relative weightings of securities in the index.

Typically, ETFs bear their own operational expenses, reducing its NAV and dividends potentially payable to investors. To the extent that the Fund invests in ETFs, the Fund's stockholders will indirectly bear a pro rata share of the ETF's expenses in addition to the expenses associated with an investment in the Fund. Typically, ETFs are investment companies. However, the term is used in the industry in broad way to include securities issued by entities that are not investment companies. To the extent an ETF is an investment company, the limitations applicable to the Fund's ability to purchase securities issued by other investment companies will apply.

Real Estate Investment Trusts. REITs are financial vehicles that pool investors' capital to purchase or finance real estate. REITs are generally classified as equity REITs, mortgage REITs or a combination of equity and mortgage REITs. Equity REITs invest the majority of their assets directly in real property and derive income primarily from the collection of rents. Equity REITs can also realize capital gains by selling properties that have appreciated in value. Mortgage REITs invest the majority of their assets in real estate mortgages and derive income from the collection of interest payments. REITs are not taxed on income distributed to shareholders provided they comply with the applicable requirements of the Code.

Foreign Securities. The Fund may invest in debt and equity securities of corporate, governmental, and supra-national issuers located outside the United States, including issuers in developed and emerging markets. Foreign securities include securities issued or guaranteed by companies organized under the laws of countries other than the United States and securities issued or guaranteed by foreign governments, their agencies or instrumentalities and supra-national governmental entities, such as the World Bank. Foreign securities also include U.S. dollar-denominated debt obligations, such as “Yankee Dollar” obligations, of foreign issuers and of supra-national government entities. Yankee Dollar obligations are U.S. dollar-denominated obligations issued in the U.S. capital markets by foreign corporations, banks, and governments. Foreign securities also may be traded on foreign securities exchanges or in over-the-counter (“OTC”) capital markets.

Depository Receipts. The Fund may make foreign investments through the purchase and sale of ADRs, EDRs, GDRs, or other securities representing underlying shares of foreign issuers. Positions in those securities are not necessarily denominated in the same currency as the underlying shares they represent. ADRs are receipts typically issued by a U.S. bank or trust company evidencing ownership of the underlying securities issued by foreign issuers. EDRs are European receipts listed on the Luxembourg Stock Exchange evidencing a similar arrangement. GDRs are U.S. dollar denominated receipts evidencing ownership of foreign securities. Generally, ADRs, in registered form, are designed for the U.S. securities markets and EDRs and GDRs, in bearer form, are designed for use in foreign securities markets. The Fund may invest in sponsored or unsponsored ADRs. “Sponsored” ADRs are issued jointly by the issuer of the underlying security and a depository, whereas “unsponsored” ADRs are issued without participation of the issuer of the deposited security. Holders of unsponsored ADRs generally bear all the costs of such facilities and the depository of an unsponsored facility frequently is under no obligation to distribute stockholder communications received from the issuer of the deposited security or to pass through voting rights to the holders of such receipts in respect of the deposited securities. Therefore, there may not be a correlation between information about the issuer of the security and the market value of an unsponsored ADR. Investments in depositary receipts also involve risks similar to those accompanying direct investments in foreign securities. Certain of these risks are described below under “Special Considerations and Risk Factors—Foreign Securities.”

Future Developments. From time to time, the Fund may also invest in certain Income Generating Equity Securities, Debt Securities, or other investment assets that have features other than those that are typical for such investments and which have in the past been offered or may be offered in the future. In the past, for example, securities have been issued to replicate the performance of a certain component or components of a particular security or combination of securities and/or to hedge or reduce the risks associated with certain securities or market trends. The Fund may invest in these investments if the Investment Manager believes that doing so would be consistent with the Fund’s investment objectives and policies. Since the market for these investments may be new, the Fund may have difficulty disposing of them at a suitable price and time. In addition to limited liquidity, these investments may present other risks, such as high price volatility. The unavailability of such innovative investments would not adversely affect the Fund’s ability to achieve its investment objectives.

Temporary Investments. The Fund may make temporary investments for defensive purposes in response to adverse market, economic, political, or other conditions, pending investment of the proceeds of sales of portfolio securities, pending investment of the proceeds from this rights offering, or at other times when suitable investments are not otherwise available. In addition to money market funds, money market instruments, and cash, the Fund is permitted to temporarily invest without limit in: (i) debt securities issued by the U.S. government, its agencies or instrumentalities; (ii) commercial paper; (iii) certificates of deposit or bankers’ acceptances; or (iv) repurchase agreements with respect to any of the foregoing investments. It is impossible to predict if, or for how long, the Fund will use any of such temporary defensive strategies. For a description of the types of temporary investments the Fund may make, please see “Additional Information About the Fund’s Investment Program” in the SAI.

Leverage

The Fund may obtain leverage through borrowings, the issuance of short term debt securities, or the issuance of shares of preferred stock (collectively, "Senior Securities"). The 1940 Act generally prohibits the Fund from engaging in most forms of leverage other than preferred shares (including through the use of reverse repurchase agreements, dollar rolls, bank loans, commercial paper or other credit facilities, credit default swaps and other derivative transactions, loans of portfolio securities, and when-issued, delayed delivery and forward commitment transactions, to the extent that these instruments are not covered as described below) unless immediately after the issuance of the leverage the Fund has satisfied the asset coverage test with respect to Senior Securities representing indebtedness prescribed by the 1940 Act, that is, the value of the Fund's total assets less liabilities (other than the leverage and other Senior Securities) is at least 300% of the principal amount of such leverage (i.e., effectively limiting the use of leverage through Senior Securities representing indebtedness to 33 1/3 % of the Fund's total assets, including assets attributable to the leverage). The Fund may (but is not required to) cover its commitments under derivatives and certain other instruments by the segregation of liquid assets, or by entering into offsetting transactions or owning positions covering its obligations. For instance, the Fund may cover its position in a reverse repurchase agreement by segregating liquid assets at least equal in amount to its forward purchase commitment. To the extent that certain of these instruments are so covered, they will not be considered "senior securities" under the 1940 Act and therefore will not be subject to the 300% asset coverage requirement otherwise applicable to forms of leverage (other than preferred shares) used by the Fund.

Under the 1940 Act, the Fund is not permitted to issue new preferred shares unless immediately after such issuance the value of the Fund's total assets is at least 200% of the liquidation value of outstanding preferred shares and the newly issued preferred shares plus the aggregate amount of any Senior Securities of the Fund representing indebtedness (i.e., such liquidation value plus the aggregate amount of Senior Securities representing indebtedness may not exceed 50% of the Fund's total assets). In addition, the Fund is not permitted to declare any cash dividend or other distribution on its common shares unless, at the time of such declaration, the value of the Fund's total assets satisfies the above-referenced 200% coverage requirement.

The net proceeds of the offering of any Senior Securities will be invested in accordance with the Fund's investment objectives and policies. The Fund seeks a leverage ratio, based on a variety of factors including market conditions and the Investment Manager's market outlook, where the rate of return, net of applicable Fund expenses, on the Fund's investment portfolio investments purchased with leverage exceeds the costs associated with such leverage.

The Fund has utilized leverage since shortly after it began investment operations and expects to continue to use investment leverage, although there can be no assurance, however, that the Fund will continue to engage in any leveraging techniques. The Fund is currently a party to a Line of Credit and, as of October 24, 2011, had borrowed $18.5 million under the Line of Credit. The percentage amount of the Fund's leverage outstanding as of such date was 21% of its total assets. At the completion of the rights offering, the percentage amount of the Fund's leverage outstanding is expected to decrease to 0% of total assets assuming all Primary Subscription Shares are sold and 0% of total assets assuming the Fund issues and sells all Secondary Subscription Shares pursuant to the Over-Subscription Privilege, unless the Fund otherwise changes its borrowing. The Fund currently anticipates an increase in leverage within a range of 0% to 21% following the completion of the rights offering; however, the Fund reserves the right to adjust leverage from time to time. Although the Fund's fundamental investment restriction permits it to borrow money and issue senior securities to the extent permitted by the 1940 Act, as described above, the Fund's Line of Credit limits amounts outstanding to the Fund at all times to the lesser of, among other things, $30,000,000 or 30% of the total net assets of the Fund (as defined in the Line of Credit). Certain of Fund's portfolio securities have been pledged as collateral to secure the Line of Credit. The Fund may also enter into transactions other than those noted above that may give rise to other forms of leverage including, among others, derivative transactions, loans of portfolio securities, and when-issued, delayed delivery and forward commitment transactions. Although it has no current intention to do so, the Fund may also determine to issue preferred shares to add leverage to its portfolio.

Other Investment Practices

Sale of Covered Call Options. The Fund may sell (i.e., write) covered call options on securities (including ETFs) or on indexes. The Fund expects to sell covered call options principally to generate income. The Fund may cover call options by: (i) owning the same security or, in the case of options on an index, a portfolio of securities substantially replicating the movement of the index underlying the call option until the option is exercised or expires;
(ii) segregating cash or other liquid assets with the Fund's custodian in an amount equal to the current market value of the call option; or (iii) other methods consistent with applicable laws, rules, and regulations. The Fund may write covered call options from time to time on such portion of its portfolio without limit to the extent of available cover, as the Investment Manager determines is appropriate in seeking to achieve the Fund's investment objectives.

Repurchase Agreements. The Fund may enter into repurchase agreements. A repurchase agreement is an agreement under which either U.S. government obligations or other high quality liquid debt securities are acquired from a securities dealer or bank subject to resale at an agreed upon price and date. The securities are held for the Fund by a custodian bank as collateral until resold and may be supplemented by additional collateral if necessary to maintain a total value equal to or in excess of the value of the repurchase agreement. The Fund bears a risk of loss in the event that the other party to a repurchase agreement defaults on its obligations and the Fund is delayed or prevented from exercising its rights to dispose of the collateral securities, which may decline in value in the interim. Repurchase agreements are usually for a term of one week or less, but may be for longer periods. Although repurchase agreements maturing in more than seven days may be considered illiquid, the Fund may invest in repurchase agreements without limit. To the extent that proceeds from any sale upon a default of the obligation to repurchase were less than the repurchase price, the Fund might suffer a loss. If bankruptcy proceedings are commenced with respect to the seller of the security, realization upon the collateral by the Fund could be delayed or limited.

Illiquid and Restricted Securities. Illiquid securities are investments that cannot be sold or disposed of in the ordinary course of business at approximately the prices at which they are valued. The Fund may invest without limit in illiquid securities, including securities with legal or contractual conditions or restrictions on resale, repurchase agreements maturing in greater than seven days, and other securities which are not readily marketable. Investing in such securities entails certain risks. The primary risk is that the Fund may not be able to dispose of a security at the desired price at the time it wishes to make such disposition. In addition, such securities often sell at a discount from liquid and freely tradable securities of the same class or type, although they are also usually purchased at an equivalent discount, which enhances yield while the securities are held by the Fund. In the absence of readily available market quotations, illiquid securities will be valued at fair value as determined in good faith and pursuant to a method approved by the Board. Valuing illiquid securities typically requires greater judgment than valuing securities for which there is an active trading market. Investment of the Fund's assets in illiquid securities may restrict the Fund's ability to take advantage of market opportunities.

The Fund may invest in restricted securities, which are securities that may not be sold to the public without an effective registration statement under the Securities Act. The restriction on public sale may make it more difficult to value such securities, limit the Fund's ability to dispose of them, and lower the amount the Fund could realize upon their sale. Before they are registered, restricted securities may be sold only in a privately negotiated transaction or pursuant to an exemption from registration. Rule 144A under the Securities Act establishes a "safe harbor" from the registration requirements of the Securities Act for resales of certain securities to qualified institutional buyers. To the extent that, for a period of time, qualified institutional buyers cease purchasing restricted securities pursuant to Rule 144A, the Fund's investing in such securities may have the effect of increasing the level of illiquidity in its investment portfolio during such period.

When-Issued and Delayed Delivery Securities. The Fund may purchase securities on a when-issued or delayed delivery basis. Securities purchased on a when-issued or delayed delivery basis are purchased for delivery beyond the normal settlement date at a stated price and yield. No income accrues to the purchaser of a security on a when-issued or delayed delivery basis before delivery. Such securities are recorded as an asset and are subject to changes in value based upon changes in the general level of interest rates and other factors. Purchasing a security on a when-issued or delayed delivery basis can involve a risk that the market price at the time of delivery may be lower than the agreed-upon purchase price, in which case there could be an unrealized loss at the time of delivery. Although the Fund will enter into when-issued or delayed delivery transactions with the intention of acquiring the securities, the Fund may sell the securities prior thereto for investment reasons, which may result in a gain or loss. When the Fund purchases securities on a when-issued or delayed delivery basis, its custodian will set aside in a segregated account cash or liquid securities whose value is marked to market daily with a market value at least equal to the amount of the commitment. If necessary, assets will be added to the account daily so that the value of the account will not be less than the amount of the Fund's purchase commitment. Failure of the issuer to deliver the security may result in the Fund incurring a loss or missing an opportunity to make an alternative investment.

Portfolio Lending Transactions. The Fund may lend portfolio securities or other assets for a fee to brokers, dealers, and other financial institutions. The Fund continues to receive the equivalent of the interest, dividends or other distributions paid by the issuer on the securities loaned as well as the benefit of any increase and the detriment of any decrease in the market value of the securities loaned and also has the opportunity to earn interest on the amount of the loan and on the loaned securities' collateral. The Fund would have the right to call the loan and obtain the securities loaned at any time. The Fund would not have the right to vote the securities during the existence of the loan but would call the loan to permit voting of the securities, if, in the Investment Manager's judgment, a material event requiring a stockholder vote would otherwise occur before the loan was repaid. The loan would be continuously secured by collateral consisting of cash, securities issued or guaranteed by the U.S. Government, its agencies or instrumentalities, bank letters of credit, or any combination thereof, at all times equal to at least the market value of the assets loaned. Including such collateral as part of the Fund's total assets, the securities on loans will not exceed one-third of its total assets. In connection with its securities lending transactions, the Fund may return to the borrower or a third party which is acting as a "placing broker," a part of the income earned from the investment of collateral received for securities loaned. There are risks to the Fund of delay in receiving additional collateral and risks of delay in recovery of, and failure to recover, the assets loaned should the borrower fail financially or otherwise violate the terms of the lending agreement. In the event of bankruptcy or other default of the borrower, the Fund could experience both delays in liquidating the loan collateral or recovering the loaned securities and losses, including (a) possible decline in the value of the collateral or in the value of the securities loaned during the period while the Fund seeks to enforce its rights thereto, (b) possible subnormal levels of income and lack of access to income during this period, and (c) expenses of enforcing its rights. The Fund may also experience losses as a result of the diminution in value of its cash collateral investments. Any loan made by the Fund will provide that it may be terminated by either party upon reasonable notice to the other party. By lending its portfolio securities, the Fund attempts to increase its income through the receipt of income on the loan. The Fund does not use affiliated agents in managing its lending program.

SPECIAL CONSIDERATIONS AND RISK FACTORS

An additional investment in the Shares is subject to risks. The risks and uncertainties described below are not the only ones facing the Fund. There may be additional risks that the Fund does not currently foresee or consider material. You should carefully consider these risks, together with all of the other information included or incorporated by reference in this prospectus, before you decide whether to exercise your Rights or otherwise make an additional investment in the Shares. By itself, the Fund does not constitute a complete investment program and you could lose money by investing in the Fund.

Risks of the Rights Offering

Potential Dilution. If you do not exercise your Rights, you will, upon the completion of the rights offering, own a smaller proportional interest in the Fund than you do now and you will incur dilution of voting, as well as dilution of your share of any distributions made by the Fund, as a result of the rights offering. In addition, if you do not submit a subscription request pursuant to the Over-Subscription Privilege and the Fund issues Excess Shares, you may experience further dilution of ownership and voting, as well as further dilution of your share of any distributions made by the Fund. Also, because the Subscription Price per Share will be less than the then current NAV per Share, the completion of the rights offering will result in an immediate dilution of the NAV per Share for all existing stockholders, irrespective of whether they exercise all or any portion of their Rights. If the Subscription Price per Share is substantially less than the then current NAV per Share, such dilution could be substantial. The Fund cannot state precisely the extent of this dilution because the Fund does not know what the NAV per Share or the Subscription Price per Share will be when the rights offering expires, how many Shares will be subscribed for or the exact expenses of the rights offering. Any such dilution will disproportionately affect non-exercising shareholders.

The impact of the rights offering on NAV per share is shown by the following examples assuming an NAV of $4.28, a Subscription Price of $3.66 and estimated expenses related to the rights offering of $375,000. (As of November 11, 2011, the NAV per Share was $4.28 and the average of the volume weighted average sales price of a Share on the NYSE on November 7, 2011 and the four preceding trading days was $3.66 for an estimated Subscription Price of $3.48 per Share.)

Scenario 1 assumes that the offering is fully subscribed and all Primary Subscription Shares (but no Secondary Subscription Shares) are issued:

Reduction in NAV ($)	$0.22
Reduction in NAV (%)	5.14%

Scenario 2 assumes that all Primary Subscription Shares and all Secondary Subscription Shares are issued:

Reduction in NAV ($)	$0.25
Reduction in NAV (%)	5.84%

If the Subscription Price per Share is lower than NAV per Share by an even larger margin than in the example above, dilution would be even more substantial. For example, assuming an NAV of $3.57 and a Subscription Price of $2.25 (based upon the highest discount to NAV at which the Shares have traded as set forth in the table under “Market Price Information”) and estimated expenses related to the rights offering of $375,000, the impact of the rights offering on NAV per share would be as follows:

Scenario 1 assumes that the offering is fully subscribed and all Primary Subscription Shares (but no Secondary Subscription Shares) are issued:

Reduction in NAV ($)	$0.35
Reduction in NAV (%)	9.80%

Scenario 2 assumes that all Primary Subscription Shares and all Secondary Subscription Shares are issued:

Reduction in NAV ($)	$0.41
Reduction in NAV (%)	11.48%

Potential Reduction in Distributions Paid from Ordinary Income. The rights offering is expected to give the Fund the opportunity to make additional investments in accordance with the Fund's investment objectives and policies. This expectation is based on the current market environment for the securities in which the Fund may invest, which could change in response to interest rate levels, general economic conditions, specific industry conditions, and other factors. The Fund's distributions reflect its managed distribution policy to provide stockholders with a relatively stable cash flow and to attempt to reduce or eliminate the Fund's market price discount to its NAV per share. The policy may be changed or discontinued without notice. The distributions are paid from ordinary income and any net realized capital gains, with the balance, if any, representing return of capital. The Fund's fixed distributions are not tied to its net investment income and net realized capital gains and do not represent yield or investment return. The rights offering could reduce the portion of the Fund's distributions paid from ordinary income and increase the balance representing return of capital if the Fund is unable to invest the proceeds of the rights offering in securities paying the Fund income at levels at least equal to those currently held by the Fund.

Increase in Share Price Volatility; Decrease in Share Price. The rights offering may result in an increase in trading of the Shares, which may increase volatility in the market price of the Shares. The rights offering may result in an increase in the number of stockholders wishing to sell their Shares, which would exert downward price pressure on the price of Shares.

Under-Subscription. It is possible that the rights offering will not be fully subscribed. Under-subscription of the rights offering could have an impact on the net proceeds of the rights offering and whether the Fund achieves the benefits described under "The Rights Offering—Purpose of the Offering."

Risks of Investing in the Fund

Investment and Market Risk. An investment in the Shares is subject to investment risk, including the possible loss of the entire principal amount that you invest. Your investment in Shares represents an indirect investment in the securities owned by the Fund. The value of these securities, like other market investments, may move up or down, sometimes rapidly and unpredictably, and these fluctuations are likely to have a greater impact on the value of the Shares during periods in which the Fund utilizes a leveraged capital structure. If the current global economic downturn continues into a prolonged recession or deteriorates further, the ability of issuers of the Debt Securities and other securities in which the Fund invests to service their obligations could be materially and adversely affected. Certain unanticipated events, such as natural disasters, terrorism, war, and other geopolitical events, can have a dramatic adverse effect on the investments held by the Fund.

Recent Market Events. Recently, domestic and international markets have experienced turmoil, due to a variety of factors, including continuing economic issues in Greece, Spain, Ireland, Portugal, Italy and other European Union countries. This turmoil is reflected in perceptions of economic uncertainty, price volatility in the equity and debt markets, and fluctuating trading liquidity. In addition, many governments throughout the world responded to the market turmoil with a variety of fiscal and monetary policy changes, including but not limited to, direct capital infusions into companies, new monetary programs, and lower interest rates. An unexpected or quick reversal of these policies could increase volatility in the equity and debt markets. These market conditions and continuing economic risks could have a significant effect on domestic and international economies, and could add significantly to the risks of the Fund's volatility and inability to obtain its investment objectives.

Equity Securities Risk. Investing in the Fund involves equity risk, which is the risk that the securities held by the Fund will fall in market value due to adverse market and economic conditions, perceptions regarding the industries in which the issuers of securities held by the Fund participate, and the particular circumstances and performance of particular companies whose securities the Fund holds. The general risks associated with equity securities may be greater for equity securities issued by companies with smaller market capitalizations as these companies may have limited product lines, markets or financial resources or may depend on a few key employees. As a result, issuers with smaller market capitalization may be subject to greater levels of credit, market, and issuer risk.

Common Stock Risk. Although common stocks can generate higher average returns than debt and other equity securities, common stocks can also experience more volatility in those returns. An adverse event, such as an unfavorable earnings report, may depress the value of a particular common stock held by the Fund. Also, the prices of common stocks are sensitive to general movements in the stock market. A drop in the stock market may depress the price of common stocks held by the Fund or to which the Fund has exposure. In the event of a company's liquidation, the holders of its common stock have rights to its assets only after bondholders, other debt holders and preferred stockholders have been satisfied.

Credit Risk. This is the risk that an issuer of bonds and other debt securities will be unable to pay interest or principal when due. The prices of bonds and other debt securities are affected by the credit quality of the issuer. Below investment grade debt securities normally are lower quality and have greater credit risk because the companies that issue them typically are not as financially strong as companies that issue higher quality, investment grade debt securities. Changes in the financial condition of an issuer, general economic conditions, and specific economic conditions that affect a particular type of issuer can impact the credit quality of an issuer. Such changes may weaken an issuer's ability to make payments of principal or interest, or cause an issuer to fail to make timely payments of interest or principal. The downgrade of a security may further decrease its value, although a grade rating by a rating agency only represents the service's opinion as to the general credit quality of the security being rated and is not an absolute standard of quality or guarantee as to the creditworthiness of an issuer. Lower quality debt securities generally tend to be more sensitive to these changes than higher quality debt securities, but the lowest rating category of investment grade securities may have speculative characteristics as well. See "Additional Risks of Certain Securities—Below Investment Grade Securities" below. Credit risk also applies to securities issued by the U.S. government's agencies and instrumentalities that are not backed by the U.S. government's full faith and credit. Although securities backed by the full faith and credit of the U.S. government are generally considered to present minimal credit risk, credit risk may also apply to these securities.

Interest Rate Risk. Generally, when market interest rates rise, the prices of debt obligations fall, and vice versa. Interest rate risk is the risk that debt obligations and other instruments in the Fund's portfolio will decline in value because of increases in market interest rates. This risk may be particularly acute because market interest rates are currently at historically low levels. The prices of long-term debt obligations generally fluctuate more than prices of short-term debt obligations as interest rates change. The Fund's use of leverage will tend to increase interest rate risk.

Investments in floating rate debt instruments, although generally less sensitive to interest rate changes than longer duration fixed rate instruments, may nevertheless decline in value in response to rising interest rates if, for example, the rates at which they pay interest do not rise as much, or as quickly, as market interest rates in general. Conversely, floating rate instruments will not generally increase in value if interest rates decline. Inverse floating rate debt securities may also exhibit greater price volatility than a fixed rate debt obligation with similar credit quality. To the extent the Fund holds floating rate instruments, a decrease (or, in the case of inverse floating rate securities, an increase) in market interest rates will adversely affect the income received from such securities and the NAV of the Shares.

Prepayment and Extension Risk. If interest rates fall, the principal on the debt securities held by the Fund may be paid earlier than expected. If this happens, the proceeds from a prepaid security may be reinvested by the Fund in securities bearing lower interest rates, resulting in a possible decline in the Fund's income and distributions to stockholders. Alternatively, the Fund is subject to the risk that an issuer will exercise its right to pay principal on an obligation held by that Fund later than expected. This may happen when there is a rise in interest rates. These events may lengthen the duration (i.e. interest rate sensitivity) and potentially reduce the value of these securities.

Corporate Bonds Risk. The Fund's investments in corporate bonds are subject to a number of the risks described in this prospectus, including credit risk, interest rate risk, prepayment and extension risk, inflation risk, deflation risk, below investment grade securities risk, foreign securities risk, illiquid and restricted securities risk, valuation risk, and management risk.

Leverage and Borrowing Risk. Borrowing for investment purposes creates an opportunity for increased return, but at the same time, involves special risk considerations. Borrowing increases the likelihood of greater volatility of NAV and market price of the Shares. If the return that the Fund earns on the additional securities purchased fails to cover the interest and fees incurred on the monies borrowed, the NAV of the Fund (and the return of the Fund) would be lower than if borrowing had not been incurred. In addition, when the Fund borrows at a variable interest rate, there is a risk that fluctuations in the interest rate may adversely affect the return to the Fund's stockholders. Interest payments and fees incurred in connection with such borrowings will reduce the amount of net income available for distribution to stockholders. There is no assurance that a borrowing strategy will be successful during any period in which it is employed.

Borrowing on a secured basis results in certain additional risks. Should securities that are pledged as collateral to secure the loan decline in value, the Fund may be required to pledge additional funds in the form of cash or securities to the lender to avoid liquidation of the pledged assets. In the event of a steep drop in the value of pledged securities, it might not be possible to liquidate assets quickly enough and this could result in mandatory liquidation of the pledged assets in a declining market at relatively low prices. Furthermore, the Investment Manager's ability to sell the pledged securities is limited by the terms of the Line of Credit, which may reduce the Fund's investment flexibility over the pledged securities. The rights of the lender to receive payments of interest on and repayments of principal will be senior to the rights of the Fund's stockholders.

To illustrate the concepts above, assume a fund's common stock capitalization of $100 million and the borrowing under a line of credit for an additional $20 million, creating a total value of $120 million available for investment in long term securities. If prevailing short term interest rates are approximately 3% and long term interest rates are approximately 6%, the yield curve has a strongly positive slope. In this example, the Fund pays interest on the $20 million loan based on the lower short term interest rates. At the same time, the Fund's total portfolio of $120 million earns the income based on long term interest rates.

In this case, the interest paid on the loan is significantly lower than the income earned on the Fund's long term investments, and therefore the Fund's stockholders would be the beneficiaries of the incremental yield. However, if short term interest rates rise, narrowing the differential between short term and long term interest rates, the incremental yield pick-up on the common stock would be reduced or eliminated entirely. At the same time, the market value of the Shares may, as a result, decline. Furthermore, if long term interest rates rise, the common stock's NAV will reflect the full decline in the price of the portfolio's investments, since the amount of the Fund's outstanding loan does not fluctuate. In addition to the decline in NAV, the market value of the Shares may also decline.

In addition, the requirements of any loan documents to which the Fund is a party may limit the Fund's ability to make distributions to its stockholders for so long as any payments on the loan are in arrears or in default, may limit the Fund's ability to take advantage of certain investments that may otherwise be available, may require the Fund to invest a greater portion of its assets in more highly rated, potentially lower yielding securities than the Fund might do otherwise, and may require the Fund to sell a portion of its assets when it might otherwise be disadvantageous to do so. If the Fund is required to restructure its portfolio by selling assets to satisfy the requirements set forth above, such sales of portfolio securities would cause the Fund to incur related transaction costs. In addition, in the event of a limitation on distributions, the Fund may be unable to distribute all of its net investment income to stockholders. To qualify for federal tax treatment as a RIC for a taxable year, the Fund must distribute at least 90% of the sum of its net investment income, the excess of net short term capital gain over net long term capital loss, and certain other amounts earned or realized during that year. See "Tax Considerations" in the SAI.

As of October 24, 2011, the Fund utilized the Line of Credit to borrow $18.5 million at a variable interest rate equal to 1.24% per annum. The Fund also pays its portion of the 0.15% per annum commitment fee on the Line of Credit which is allocated to each of the Borrowers based on quarter end net assets. Based on annualized fiscal year 2011 Line of Credit interest payments and commitment fees, the Fund’s portfolio must experience an annual return of 0.27% to cover such expenses. The following table explains the potential effects of leverage on the equity returns of the Fund’s common stockholders:

Assumed Return on Portfolio (net of expenses)	(10.00)%	(5.00)%	0.00%	5.00%	10.00%
Corresponding Return to Common Stockholder	(11.97)%	(6.12)%	(0.27)%	5.58%	11.43%

All figures appearing above are hypothetical returns generated to assist investors in understanding the effects of leverage. Actual returns may be more or less than those appearing in the table.

Because the fee paid to the Investment Manager is calculated on the basis of the Fund's average weekly value of the Fund's total assets minus the sum of the Fund's liabilities, which liabilities exclude debt relating to leverage, short term debt and the aggregate liquidation preference of any outstanding preferred stock, the dollar amount of the management fee paid by the Fund to the Investment Manager will be higher (and the Investment Manager will benefit to that extent) when leverage is utilized. The Investment Manager will utilize leverage only if it believes such action would result in a net benefit to the Fund's stockholders after taking into account the higher fees and expenses associated with leverage (including higher management fees).

Inflation/Deflation Risk. Inflation risk is the risk that the value of assets or income from the Fund's investments will be worth less in the future as inflation decreases the present value of payments at future dates. Deflation risk is the risk that prices throughout the economy may decline over time—the opposite of inflation. Deflation may have an adverse effect on the creditworthiness of issuers and may make issuer default more likely, which may result in a decline in the value of the Fund's portfolio.

Additional Risks of Certain Securities

Below Investment Grade Securities. Below investment grade securities are commonly referred to as "junk bonds." Below investment grade securities are regarded as being predominantly speculative as to the issuer's ability to make payments of principal and interest. The risks associated with acquiring the securities of such issuers generally are greater than is the case with higher rated securities. For example, during an economic downturn or a sustained period of rising interest rates, issuers of below investment grade securities may be more likely to experience financial stress, especially if such issuers are highly leveraged. During periods of economic downturn, such issuers may not have sufficient revenues to meet their interest payment obligations. The issuer's ability to service its debt obligations also may be adversely affected by specific issuer developments, the issuer's inability to meet specific projected business forecasts, or the unavailability of additional financing. Therefore, there can be no assurance that in the future there will not exist a higher default rate relative to the rates currently existing in the market for below investment grade securities. The risk of loss due to default by the issuer is significantly greater for the holders of below investment grade securities because such securities may be unsecured and may be subordinate to other creditors of the issuer. The below investment grade securities in which the Fund may invest do not normally include instruments which, at the time of investment, are in default or the issuers of which are in bankruptcy. There can be no assurance, however, that such events will not occur after the Fund purchases a particular security, in which case the Fund may experience losses and incur costs. Below investment grade securities frequently have call or redemption features that would permit an issuer to repurchase the security from the Fund. If a call were exercised by the issuer during a period of declining interest rates, the Fund is likely to have to replace such called security with a lower yielding security, thus decreasing the net investment income to the Fund and dividends to stockholders.

Below investment grade securities have been in the past, and may again in the future be, more volatile and less liquid than higher rated fixed income securities, so that adverse economic events may have a greater impact on the prices of below investment grade securities than on higher rated fixed income securities. Factors adversely affecting the market value of such securities are likely to affect adversely the Fund's NAV. Since 2008, demand for some below investment grade securities has increased and the difference between the yields paid by below investment grade securities and investment grade securities (i.e., the “spread”) has narrowed. To the extent this differential increases, the value of below investment grade securities in the Fund’s portfolio could be adversely affected.

Like higher rated fixed income securities, below investment grade securities generally are purchased and sold through dealers who make a market in such securities for their own accounts. However, there are fewer dealers in the below investment grade securities market, which market may be less liquid than the market for higher rated fixed income securities, even under normal economic conditions. Also, there may be significant disparities in the prices quoted for below investment grade securities by various dealers. As a result, during periods of high demand in the below investment grade securities market, it may be difficult to acquire below investment grade securities appropriate for investment by the Fund. Adverse economic conditions and investor perceptions thereof (whether or not based on economic reality) may impair liquidity in the below investment grade securities market and may cause the prices the Fund receives for its below investment grade securities to be reduced. In addition, the Fund may experience difficulty in liquidating a portion of its portfolio when necessary to meet the Fund's liquidity needs or in response to a specific economic event such as deterioration in the creditworthiness of the issuers. Under such conditions, judgment may play a greater role in valuing certain of the Fund's portfolio instruments than in the case of instruments trading in a more liquid market. In addition, the Fund may incur additional expense to the extent that it is required to seek recovery upon a default on a portfolio holding or to participate in the restructuring of the obligation.

Credit ratings are determined by credit rating agencies such as S&P and Moody's. Any shortcomings or inefficiencies in credit rating agencies' processes for determining credit ratings may adversely affect the credit ratings of securities held by the Fund and, as a result, may adversely affect those securities' perceived or actual credit risk.

Sale of Covered Call Options. A decision as to whether, when and how to use covered call options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful because of market behavior or unexpected events. The use of options may require the Fund to sell portfolio securities at inopportune times or for prices other than current market values, may limit the amount of appreciation the Fund can realize on an investment, or may cause the Fund to hold a security it might otherwise sell. As the writer of a covered call option on an underlying security, the Fund forgoes, during the option's life, the opportunity to profit from increases in the market value of the security covering the call option above the exercise price of the call option, but has retained the risk of loss should the price of the underlying security decline. Although such loss would be offset in part by the option premium received, in a situation in which the price of a particular stock on which the Fund has written a covered call option declines rapidly and materially or in which prices in general on all or a substantial portion of the stocks on which the Fund has written covered call options decline rapidly and materially, the Fund could sustain material depreciation or loss in its net assets to the extent it does not sell the underlying securities (which may require it to terminate, offset or otherwise cover its option position as well). There can be no assurance that a liquid market will exist when the Fund seeks to close out an option position. If the Fund were unable to close out a covered call option that it had written on a security, it would not be able to sell the underlying security unless the option expired without exercise. In addition, the Fund's ability to terminate over-the-counter options may be more limited than with exchange-traded options and may involve the risk that counterparties participating in such transactions will not fulfill their obligations.

Real Estate Investment Trusts. REITs are financial vehicles that pool investors' capital to purchase or finance real estate. The market value of REIT shares and the ability of REITs to distribute income may be adversely affected by numerous factors, including rising interest rates, changes in the national, state and local economic climate and real estate conditions, perceptions of prospective tenants of the safety, convenience and attractiveness of the properties, the ability of the owners to provide adequate management, maintenance and insurance, the cost of complying with the Americans with Disabilities Act, increasing competition and compliance with environmental laws, changes in real estate taxes and other operating expenses, adverse changes in governmental rules and fiscal policies, adverse changes in zoning laws, and other factors beyond the control of the issuers. In addition, distributions received by the Fund from REITs may be attributable to net investment income, net realized capital gains and/or returns of capital. Dividends paid by REITs will generally not qualify for the reduced federal income tax rates applicable to "qualified dividend income" under the Code. See "Tax Considerations" in the SAI. REITs are subject to interest rate risk and prepayment risk. Changes in prevailing interest rates affect not only the value of REIT shares but may impact the market value of the REIT's investment real estate. Investing in REITs also involves certain unique risks in addition to those risks associated with investing in the real estate industry in general. REITs are dependent upon the skills of their managers and are not diversified. REITs are generally dependent upon maintaining cash flows to repay borrowings and to make distributions to stockholders and are subject to the risk of default by lessees or borrowers. REITs may have limited financial resources and may trade less frequently and in a more limited volume, and may be subject to more abrupt or erratic price movements, than larger company securities. Historically, REITs have been more volatile in price than the larger capitalization stocks included in S&P 500 Index.

Securities of Other Investment Companies. An investment in shares of other investment companies involves substantially the same risks as investing directly in the underlying instruments that such investment companies hold, including the risk that the value of the portfolio securities may fluctuate in accordance with changes in the financial condition of their issuers, the value of stocks and other securities generally, and other market factors. There can be no assurance that the investment objective of any investment company in which the Fund invests will be achieved. Consequently, the Fund could lose money investing in another investment company if the prices of the securities owned by the investment company decline in value.

In addition, ETFs, BDCs, and closed end funds in which the Fund may invest are subject to the following risks that do not apply to open end funds: (i) market price of shares may trade above or below their NAV; (ii) an active trading market for shares may not develop or be maintained; and (iii) trading of shares may be halted if the listing exchange's officials deem such action appropriate, the shares are delisted from the exchange, or the activation of market wide "circuit breakers" (which are tied to large decreases in stock prices) halts stock trading. In the case of leveraged closed end funds, their share price and NAV may fluctuate to a greater extent and be more volatile than un-leveraged closed end funds. All investment companies incur advisory fees and other expenses. The Fund, as a stockholder, will indirectly bear its pro rata portion of such fees and expenses in addition to the Fund's direct fees and expenses, so stockholders of the Fund will be subject to duplication of fees on investments by the Fund in other investment companies. In addition, the Fund could incur a sales charge in connection with purchasing an investment company security or a redemption fee upon the redemption of such security.

Securities of Small and Mid-Capitalization Companies. The Fund may invest in companies with mid or small sized capital structures (generally a market capitalization of $5 billion or less). Accordingly, the Fund may be subject to the additional risks associated with investment in these companies. The market prices of the securities of such companies tend to be more volatile than those of larger companies. Further, these securities tend to trade at a lower volume than those of larger more established companies. If the Fund is heavily invested in these securities and the value of these securities suddenly declines, that Fund will be susceptible to significant losses.

Preferred Stocks. In addition to equity securities risk and possibly below investment grade securities risk, investment in preferred stocks involves certain other risks. Certain preferred stocks contain provisions that allow an issuer under certain conditions to skip or defer distributions. Preferred stocks often are subject to legal provisions that allow for redemption in the event of certain tax or legal changes or at the issuer's call. In the event of redemption, the Fund may not be able to reinvest the proceeds at comparable rates of return. Preferred stocks are subordinated to bonds and other debt securities in an issuer's capital structure in terms of priority for corporate income and liquidation payments, and therefore will be subject to greater credit risk than those debt securities. Preferred stocks may trade less frequently and in a more limited volume and may be subject to more abrupt or erratic price movements than many other securities, such as common stocks, corporate debt securities and U.S. Government securities.

If the Fund owns preferred stock on which the dividend otherwise payable thereon is deferred, the Fund may be required to include the amount of the deferred dividend in its gross income for tax purposes despite the fact that it does not currently receive such amount. In order to receive the special treatment accorded to RICs and their shareholders under the Code and to avoid federal income and/or excise taxes at the Fund level, the Fund may be required to distribute this income to its stockholders in the taxable year in which the income is recognized (without a corresponding receipt of cash). See "Tax Considerations" in the SAI. Therefore, the Fund may be required to pay out as an income distribution in any such taxable year an amount greater than the total amount of cash income the Fund actually received and to sell portfolio securities, including at potentially disadvantageous times or prices, to obtain cash needed for that distribution.

Convertible Securities. Convertible securities generally have less potential for gain or loss than common stocks. Convertible securities generally provide yields higher than the underlying common stocks, but generally lower than compatible nonconvertible securities. Because of this higher yield, convertible securities generally sell at prices above their “conversion value,” which is the current market value of the stock to be received upon conversion. The difference between this conversion value and the price of convertible securities will vary over time depending on changes in the value of the underlying common stocks and interest rates. When the underlying common stocks decline in value, convertible securities will tend not to decline to the same extent because of the interest or dividend payments and the repayment of principal at maturity for certain types of convertible securities. However, securities that are convertible other than at the option of the holder generally do not limit the potential for loss to the same extent as securities convertible at the option of the holder. When the underlying common stocks rise in value, the value of convertible securities may also be expected to increase. At the same time, however, the difference between the market value of convertible securities and their conversion value will narrow, which means that the value of convertible securities will generally not increase to the same extent as the value of the underlying common stocks. Because convertible securities may also be interest rate sensitive, their value may increase as interest rates fall and decrease as interest rates rise. Convertible securities are also subject to credit risk, and are often lower-quality securities.

Foreign Securities. The Fund may invest in securities of issuers domiciled outside the United States. Investing in the securities of foreign companies may involve additional risks and considerations that are not typically associated with investing in the securities of U.S. companies. Since the securities of foreign companies are normally denominated in foreign currencies, the Fund may be affected favorably or unfavorably by changes in currency rates and in exchange control regulations, and may incur costs in connection with conversions between various currencies. As foreign companies are not generally subject to uniform accounting, auditing and financial reporting standards and practices comparable to those applicable to U.S. companies, comparable information may not be readily available about certain foreign companies. Some securities of foreign companies may be less liquid and more volatile than securities of comparable U.S. companies. In addition, in certain foreign countries, there is the possibility of expropriation or confiscatory taxation, political or social instability, or diplomatic developments that could affect U.S. investments in the securities of issuers domiciled in those countries.

U.S. Government Securities. Historically, U.S. government securities have not been perceived to involve the general credit risks associated with investments in other types of debt securities and, as a result, the yields available from U.S. government securities are generally lower than the yields available from other debt securities. Like other debt securities, however, the values of U.S. government securities change as interest rates fluctuate. Fluctuations in the value of portfolio securities will not affect interest income on existing portfolio securities but will be reflected in the Fund’s NAV. In addition, not all securities issued by the U.S. government and its agencies and instrumentalities are backed by the full faith and credit of the U.S. Treasury. Although the Fund may hold securities that carry U.S. government guarantees, these guarantees do not extend to shares of the Fund itself and do not guarantee the market price of the securities.

Illiquid and Restricted Securities. Liquidity relates to the ability of the Fund to sell a security in a timely manner at a price which reflects the value of the security. The relative illiquidity of some of the Fund’s portfolio securities may adversely affect the ability of the Fund to dispose of such securities in a timely manner and at a fair price at times when it might be necessary or advantageous for the Fund to liquidate portfolio securities. Investing in Rule 144A securities could have the effect of increasing the level of Fund illiquidity to the extent that qualified institutional buyers become, for a time, uninterested in purchasing these securities. The risks associated with these investments will be greater during times the Fund’s operations require cash, such as if the Fund tenders for its Shares or pays distributions, and could result in the Fund borrowing to meet short term cash requirements or incurring capital losses on the sale of these investments. The market for less liquid securities tends to be more volatile than the market for more liquid securities and market values of relatively illiquid securities may be more susceptible to change as a result of adverse publicity and investor perceptions than are the market values of more liquid securities. Restricted securities have contractual restrictions on their public resale, which may make it more difficult to value them, limit the Fund's ability to dispose of them, and lower the amount the Fund could realize upon their sale.

Counterparty Risk. The Fund will be subject to credit risk with respect to the counterparties to a derivatives contract, repurchase agreement, loan of portfolio securities or other obligation. Recently, several broker-dealers and other financial institutions have experienced extreme financial difficulty, sometimes resulting in bankruptcy of the institution. There can be no assurance that the Fund’s counterparties will not experience similar difficulties, possibly resulting in losses to the Fund. If a counterparty becomes bankrupt, or otherwise fails to perform its obligations due to financial difficulties, the Fund may experience significant delays in obtaining any recovery in a bankruptcy or other reorganization proceeding. The Fund may obtain only a limited recovery or may obtain no recovery in such circumstances.

Market Discount from Net Asset Value. Shares of closed end funds frequently trade at a discount from their NAV. This characteristic is a risk separate and distinct from the risk that the Fund’s NAV could decrease as a result of its investment activities and may be greater for investors expecting to sell their Shares in a relatively short period following completion of this rights offering because the NAV of the Shares will be reduced immediately following the rights offering because the Subscription Price will be below the NAV per Share on the Expiration Date and the Fund will bear the expenses of the rights offering. Whether an investor will realize gain or loss on the sale of Shares will depend not on fluctuations in the Fund’s NAV per Share but entirely on whether the market price of the Shares at the time of sale is above or below the investor’s purchase price for the Shares. Because the market price of the Shares will be determined by factors such as relative supply and demand for the Shares in the market, general market and economic conditions, and other factors beyond the control of the Fund, it cannot predict whether the Shares will trade at, below or above their NAV. The Shares are designed primarily for long term investors and should not be considered a vehicle for trading purposes. The NAV of the Shares will fluctuate with price changes of the Fund’s portfolio securities, and these fluctuations are likely to be greater in the case of a fund having a leveraged capital structure, such as the Fund.

Distribution Policy Risk. The Fund currently seeks to make distributions to stockholders on a regular basis. Such distributions are not tied to the Fund’s investment income and capital gains and do not represent yield or investment return on the Fund’s portfolio. To the extent that the amount distributed in cash exceeds the total net investment income of the Fund, the assets of the Fund will decline. Accordingly, a decline in Fund assets may result in an increase in the Fund’s expense ratio. In addition, the maintenance of the Fund’s distribution policy may cause the Fund’s assets to be less fully invested than would otherwise be the case, which could reduce the Fund’s total investment return. Furthermore, the Fund may need to raise additional capital in order to maintain the distribution policy.

Securities Lending Risk. Securities lending involves possible delay in recovery of the securities or possible loss of rights in the collateral should the borrower fail financially. As a result, the value of the Fund shares may fall, and there may be a delay in recovering the loaned securities. The value of the shares could also fall if a loan is called and the Fund is required to liquidate reinvested collateral at a loss or if the Investment Manager is unable to reinvest cash collateral at rates which exceed the costs involved.

Management Risk. The Fund is subject to management risk because it is an actively managed investment portfolio. The Investment Manager will seek to achieve the investment objectives of the Fund, but there can be no guarantee that it will do so.

Valuation Risk. Unlike most publicly traded common stocks which trade on national exchanges, bonds generally do not trade on a central exchange. Debt securities generally trade in the “over-the-counter” market. Due to the lack of centralized information and trading, the valuation of bonds may carry more risk than that of common stock. Uncertainties in the conditions of the financial market, unreliable reference data, lack of transparency, and inconsistency of valuation models and processes may lead to inaccurate asset pricing. As a result, the Fund may be subject to the risk that when a security is sold in the market, the amount received by the Fund is less than the value of such security carried on the Fund’s books.

Anti-Takeover Provisions. The Fund has certain provisions in its Governing Documents that may be regarded as "anti-takeover" provisions. These provisions could have the effect of limiting (i) the ability of other entities or persons to acquire control of the Fund, (ii) the Fund's freedom to engage in certain transactions, or (iii) the ability of the Fund's directors or stockholders to amend the Governing Documents or effectuate changes in the Fund's management. The Fund is also subject to certain Maryland law provisions, including those which have been enacted since the inception of the Fund, that make it more difficult for non-incumbents to gain control of the Board. The overall effect of these provisions is to render more difficult the accomplishment of a merger with, or the assumption of control by a stockholder, or the conversion of the Fund to open end status. These provisions may have the effect of depriving Fund stockholders of an opportunity to sell their shares at a premium above the prevailing market price by discouraging a third party from seeking to obtain control of the Fund. See "Description of Capital Stock—Certain Anti-Takeover Provisions in the Governing Documents."

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and the SAI contain "forward-looking statements." Forward-looking statements can be identified by the words "may," "will," "intend," "expect," "estimate," "continue," "plan," "anticipate," and similar terms and the negative of suc By their nature, all forward-looking statements involve risks and uncertainties, and actual results could differ materially from those contemplated by the forward-looking statements. Several factors that could materially affect the Fund's actual results are the performance of the portfolio of securities the Fund holds, the conditions in the U.S. and international financial and other markets, the price at which the Fund's Shares will trade, and other factors discussed in the Fund's periodic filings with the SEC.

Actual results could differ materially from those projected or assumed in the forward-looking statements. The Fund's future financial condition and results of operations, as well as any forward-looking statements, are subject to change and are subject to inherent risks and uncertainties, such as those disclosed in the "Special Considerations and Risk Factors" section of this prospectus. All forward-looking statements contained or incorporated by reference in this prospectus are made as of the date of this prospectus. Except for the Fund's ongoing obligations under the federal securities laws, the Fund does not intend, and it undertakes no obligation, to update any forward-looking statement. Any forward-looking statements contained in this prospectus are excluded from the safe harbor protection provided by section 27A of the Securities Act.

Currently known risk factors that could cause actual results to differ materially from the Fund's expectations include, but are not limited to, the factors described in the "Special Considerations and Risk Factors" section of this prospectus. You are urged to review carefully that section for a more complete discussion of the risks of an investment in the Shares.

MANAGEMENT OF THE FUND

Board of Directors

The management of the Fund, including general supervision and oversight of the duties performed by the Investment Manager, is the responsibility of the Board. The Board is currently comprised of four Directors, one of whom is an “interested person” (as defined in the 1940 Act) of the Fund. For certain information regarding the Directors and Officers of the Fund, see “Management of the Fund—Board of Directors and Executive Officers” in the SAI.

The Investment Manager

The Fund’s Investment Manager is Bexil Advisers LLC, a Maryland limited liability company organized in 2010 and registered as an investment adviser under the Investment Advisers Act of 1940. The Investment Manager became the investment manager of the Fund on February 1, 2011. It does not currently manage any other investment companies, although its portfolio management personnel, individually and collectively, provide investment management services to two closed end funds and three open end funds (collectively, the “Fund Complex”) through affiliated registered investment advisers. The Investment Manager’s principal business address is 11 Hanover Square, New York, New York 10005. It is a wholly owned subsidiary of Bexil Corporation, an operating company whose principals and certain affiliated companies provide investment management services to registered investment companies and which has another subsidiary, Bexil Securities LLC, a broker-dealer. Although the Fund is not obligated to deal with any particular broker, dealer, or group thereof, certain broker-dealers that the Investment Manager and its affiliates do business with may from time to time own more than 5% of the publicly traded common stock of certain such affiliates. The Investment Manager and its affiliates may also purchase Shares through the rights offering on the same terms as other stockholders to the extent a stockholder of the Fund.

The Investment Manager manages the Fund’s portfolio and the investment and reinvestment of the Fund’s assets, including the regular furnishing of advice with respect to the Fund’s portfolio transactions, subject at all times to the control and oversight of the Board. For these services, the Fund pays the Investment Manager a monthly fee at the annual rate of 0.95% of the Fund’s Managed Assets. “Managed Assets” means the average weekly value of the Fund’s total assets minus the sum of the Fund’s liabilities, which liabilities exclude debt relating to leverage, short term debt and the aggregate liquidation preference of any outstanding preferred stock. During periods in which the Fund is utilizing leverage, the fees payable to the Investment Manager will be greater than if the Fund did not utilize a leveraged capital structure because the fees are calculated as a percentage of the Fund’s assets, including those purchased with leverage.

The Investment Manager has contractually agreed to waive up to .10% of its advisory fee annually to the extent that the ratio stated as a percentage of the Fund’s direct operating expenses (the Fund’s total operating expenses (excluding commercial paper fees and interest expense, borrowing interest and fees, brokerage commissions, taxes, acquired fund fees and expenses, and extraordinary expenses)) to the Fund’s Managed Assets (defined below) exceeds 1.58%. The waiver agreement commenced February 1, 2011 and, unless sooner amended or terminated with the approval of the Board, will continue in effect for two years, or if sooner, upon the termination of the Investment Management Agreement. The Investment Manager may continue such waiver after such two year period but is not contractually obligated to do so. The Board will annually consider the continuance of the Investment Management Agreement with the Investment Manager. A discussion regarding the basis for the approval of the current Investment Management Agreement with the Investment Manager is available in the Fund’s report to stockholders for the six months ended May 31, 2011.

The Investment Manager and its Affiliated Parties” may also purchase Shares through the rights offering on the same terms as other stockholders to the extent any such Affiliated Party is a Record Date stockholder of the Fund.

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Potential Conflicts of Interest. Because the Investment Manager receives a fee based on assets, it will benefit from the increase in assets that will result from the rights offering. It is not possible to state precisely the amount of additional compensation that the Investment Manager might receive as a result of the rights offering because it is not known how many Shares will be subscribed for and because the proceeds of the rights offering will be invested in additional portfolio securities, which will fluctuate in value. However, assuming (i) all Rights are exercised, (ii) the Fund's average weekly NAV during the fiscal year ending November 30, 2011 is $4.22 per Share (the NAV per Share on October 24, 2011), (iii) the Subscription Price is $3.52 per Share, which is 95% of the last reported sale price of the Fund's Shares on October 24, 2011), (iv) assuming, for purposes of this example, the Fund increases the dollar amount of leverage outstanding while maintaining in the fiscal year ending November 30, 2011 approximately the same percentage leverage to net assets employed at the average level during the period from the commencement of the Fund's current fiscal year on December 1, 2010 through August 31, 2011, and (v) after giving effect to offering expenses, the Investment Manager would receive additional advisory fees of approximately $224,000 for the fiscal year 2011 and would continue to receive additional advisory fees as a result of the rights offering, based on the Fund's average weekly Managed Assets attributable to the Shares issued in the rights offering, thereafter.

Although the Fund is not obligated to deal with any particular broker, dealer, or group thereof, certain broker/dealers that the Affiliated Parties do business with may from time to time own more than 5% of the publicly traded common stock of the Affiliated Parties.

Portfolio Management

The daily portfolio management of the Fund is provided by the Investment Policy Committee of the Investment Manager (the "Committee"). The name, title, length of service, and business experience of each member of the Committee is set forth below.

Thomas B. Winmill
Chairman of the Committee since February 2011

Mr. Winmill is a Director and the President, Chief Executive Officer, and Chief Legal Officer of the Fund. He is also the President, Chief Executive Officer, and Chief Legal Officer of the Investment Manager, CEF Advisers, Inc., Midas Management Corporation (registered investment advisers, collectively the "Advisers"), the other investment companies in the Fund Complex, Winmill & Co. Incorporated ("Winco"), Bexil Corporation, and Midas Securities Group, Inc. (formerly, Investor Service Center, Inc.) and Bexil Securities LLC (registered broker-dealers, collectively the "Broker-Dealers"). He is General Counsel of Tuxis Corporation. He is Chairman of the Investment Policy Committee of each of the Advisers, which currently manage the Fund, Global Income Fund, Inc. and Midas Perpetual Portfolio, Inc., and he is the portfolio manager of Midas Fund, Inc. He is a member of the New York State Bar and the SEC Rules Committee of the Investment Company Institute. He currently serves as an independent director of Eagle Bulk Shipping Inc. (NYSE: EGLE). He is the son of Bassett S. Winmill. He is Chairman of the Investment Policy Committee of each of the Advisers.

Bassett S. Winmill
Chief Investment Strategist since February 2011

Mr. Winmill is Chairman of the Board of Winco and certain of its affiliates, and of two investment companies in the Fund Complex, and the portfolio manager of Midas Magic, Inc. and Foxby Corp. He is a member of the New York Society of Security Analysts, the Association for Investment Management and Research, and the International Society of Financial Analysts. He is the father of Thomas B. Winmill. He is Chief Investment Strategist of the Investment Policy Committee of each of the Advisers.

John F. Ramirez
Director of Fixed Income since February 2011

Mr. Ramirez is Chief Compliance Officer, Associate General Counsel, Vice President and Secretary of the Fund, the Advisers, the other investment companies in the Fund Complex, Winco, Bexil Corporation, Tuxis Corporation, and the Broker-Dealers. He is a member of the Investment Policy Committee of each of the Advisers. He is a member of the New York State Bar and the Chief Compliance Officer Committee and the Compliance Advisory Committee of the Investment Company Institute. He is Director of Fixed Income of the Investment Policy Committee of each of the Advisers.

Heidi Keating
Vice President – Trading since February 2011

Ms. Keating is Vice President of the Fund, the Advisers, the other investment companies in the Fund Complex, Winco, Bexil Corporation, Tuxis Corporation, and the Broker-Dealers. She is Vice President – Trading of the Investment Policy Committee of each of the Advisers.

Custodian and Transfer Agent

State Street Bank and Trust Company, 801 Pennsylvania, Kansas City, MO 64105, acts as Custodian of the Fund's investments and may appoint one or more sub-custodians. The Custodian is responsible for the safekeeping of Fund assets and (its affiliate) acts as securities lending agent, a securities broker for portfolio transactions by the Fund, and provides credit facilities to the Fund. IST Shareholder Services, 209 West Jackson Boulevard, Suite 903, Chicago, IL 60606, acts as the Fund's Transfer and Dividend Disbursing Agent and Plan Agent for the Fund's Dividend Reinvestment Plan.

Fund Expenses

The Fund pays all the expenses required for the conduct of its business including, but not limited to: fees of the Investment Manager; fees and commissions in connection with the purchase and sale of portfolio securities for the Fund; costs, including the interest expense, of borrowing money; fees and premiums for the fidelity bond required by Section 17(g) of the 1940 Act, or other insurance; taxes levied against the Fund and the expenses of preparing tax returns and reports; auditing fees and expenses; legal fees and expenses (including reasonable fees for legal services rendered to the Fund by the Investment Manager or its affiliates); salaries and other compensation of (1) any of the Fund's officers and employees who are not officers, directors, stockholders or employees of the Investment Manager or any of its affiliates, and (2) the Fund's chief compliance officer to the extent determined by the Independent Directors; fees and expenses incidental to director and stockholder meetings of the Fund, the preparation and mailings of proxy material, prospectuses, and reports of the Fund to its stockholders, the filing of reports with regulatory bodies, and the maintenance of the Fund's legal existence; costs of the listing (and maintenance of such listing) of the Fund's shares on stock exchanges, and the registration of shares with Federal and state securities authorities; payment of dividends; costs of stock certificates; fees and expenses of the Independent Directors; fees and expenses for accounting, administration, bookkeeping, broker/dealer record keeping, clerical, compliance, custody, dividend disbursing, fulfillment of requests for Fund information, proxy soliciting, securities pricing, registrar, and transfer agent services (including costs and out-of-pocket expenses payable to the Investment Manager or its affiliates for such services); costs of necessary office space rental and Fund web site development and maintenance; costs of membership dues and charges of investment company industry trade associations; and such non-recurring expenses as may arise, including, without limitation, actions, suits or proceedings affecting the Fund and the legal obligation which the Fund may have to indemnify its officers and directors or settlements made.

If requested by the Board, the Investment Manager or its affiliates may provide services to the Fund such as, without limitation, accounting, administration, bookkeeping, broker/dealer record keeping, clerical, compliance, custody, dividend disbursing, fulfillment of requests for Fund information, proxy soliciting, securities pricing, registrar, and transfer agent services. Any services so requested and performed will be for the account of the Fund and the costs and out-of-pocket charges of the Investment Manager and its affiliates in rendering such services shall be paid by the Fund, subject to prior approval and examination by the Independent Directors.

Portfolio Transactions

Under the Investment Management Agreement, the Investment Manager shall direct portfolio transactions to broker-dealers for execution on terms and at rates which it believes, in good faith, to be reasonable in view of the overall nature and quality of services provided by a particular broker-dealer, including brokerage and research services. Subject to the foregoing, the Investment Manager may also allocate portfolio transactions to broker-dealers that remit a portion of their commissions as a credit against Fund expenses. With respect to brokerage and research services, the Investment Manager may consider in the selection of broker-dealers, brokerage or research provided and payment may be made of a fee higher than that charged by another broker-dealer that does not furnish brokerage or research services or that furnishes brokerage or research services deemed to be of lesser value, so long as the criteria of applicable provisions of the Securities Exchange Act of 1934 or other applicable laws are met.

Although the Investment Manager may direct portfolio transactions without necessarily obtaining the lowest price at which a broker-dealer, or another, may be willing to do business, the Investment Manager shall seek the best value for the Fund on each trade that circumstances in the market place permit, including the value inherent in on-going relationships with quality brokers. To the extent any such brokerage or research services may be deemed to be additional compensation to the Investment Manager from the Fund, it is authorized by the terms of the Investment Management Agreement.

The Investment Manager may place brokerage for the Fund through an affiliate of the Investment Manager, provided that such brokerage is undertaken in compliance with applicable law. The Investment Manager’s fees under the Investment Management Agreement will not be reduced by reason of any commissions, fees or other remuneration received by an affiliate of the Investment Manager from the Fund for brokerage services.

CALCULATION OF NET ASSET VALUE PER SHARE

The NAV per Share is computed as of the close of regular trading on the NYSE (ordinarily 4:00 p.m., ET), once a week on the last business day of each week on which the NYSE is open and on the last business day of each month on which the NYSE is open. The NYSE is scheduled to be open Monday through Friday throughout the year except for New Year’s Day, Martin Luther King, Jr. Day, Presidents’ Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving and Christmas. When the NYSE is closed, the Fund will generally be closed and NAV calculations will not be made.

The Fund’s NAV per Share is computed by adding the value of all securities and other assets in the Fund’s portfolio, deducting any liabilities (including accrued expenses, dividends payable on common stock and any borrowings of the Fund), and dividing the result by the number of Shares outstanding. Portfolio securities are valued by various methods depending on the primary market or exchange on which they trade. Most equity securities for which the primary market is in the United States are valued at the official closing price, last sale price or, if no sale has occurred, at the closing bid price. Most equity securities for which the primary market is outside the United States are valued using the official closing price or the last sale price in the principal market in which they are traded. If the last sale price on the local exchange is unavailable, the last evaluated quote or closing bid price normally is used. Debt obligations with remaining maturities of 60 days or less are valued at cost adjusted for amortization of premiums and accretion of discounts. Certain of the securities in which the Fund may invest are priced through pricing services that may utilize a matrix pricing system which takes into consideration factors such as yields, prices, maturities, call features, and ratings on comparable securities. Bonds may be valued according to prices quoted by a bond dealer that offers pricing services. Open end investment companies are valued at their NAV. Securities for which market quotations are not readily available or reliable and other assets may be valued as determined in good faith by the Investment Manager under the direction of or pursuant to procedures established by the Board. Due to the inherent uncertainty of valuation, these values may differ from the value that would have been used had a readily available market for the securities existed. These differences in valuation could be material. A security's valuation may differ depending on the method used for determining value. The use of fair value pricing by the Fund may cause the NAV of its shares to differ from the net asset value that would be calculated using market prices.

MARKET PRICE INFORMATION

The Shares trade on the NYSE under the symbol "DNI." The following table sets forth for the calendar quarters indicated: (i) the high and low closing sales prices per Share as reported by the NYSE; (ii) the NAV per Share on the day of the high or low closing sales price; and (iii) the percentage by which the Shares traded at a premium over, or discount from, the Fund's high and low NAVs per Share.

Quarter Ended	High Sales Price	Net Asset Value	Premium (Discount)	Low Sales Price	Net Asset Value	Premium (Discount)
02/28/09	$3.17	$3.70	(14.32)	$2.37	$3.57	(33.61)
05/31/09	$3.16	$3.73	(15.28)	$2.26	$3.08	(26.62)
08/31/09	$3.72	$4.03	(7.69)	$3.07	$3.68	(16.58)
11/30/09	$4.04	$4.16	(2.88)	$3.51	$3.98	(11.81)
02/28/10	$3.94	$4.36	(9.63)	$3.57	$4.16	(14.18)
05/31/10	$4.28	$4.43	(3.39)	$3.65	$3.97	(8.06)
08/31/10	$4.17	$4.23	(1.42)	$3.69	$3.92	(5.87)
11/30/10	$4.32	$4.44	(2.70)	$3.94	$4.16	(5.29)
02/28/11	$4.39	$4.72	(6.99)	$4.17	$4.50	(7.33)
05/31/11	$4.48	$4.74	(5.49)	$4.13	$4.46	(7.40)
08/31/11	$4.38	$4.54	(3.52)	$3.42	$3.97	(13.85)

The Shares have traded in the market above, at, and below NAV since the commencement of the Fund's operations in June 1998. The Fund's current managed distribution policy seeks provide stockholders with a relatively stable cash flow and to attempt to reduce or eliminate the Fund's market price discount to its NAV per share. The policy may be changed or discontinued without notice, however, and there can be no assurance that such policy has had this effect in the past or will have this intended effect in the future.

If Shares publicly trade for a substantial period of time at a substantial discount from NAV, the Board may consider, from time to time, authorizing various actions designed to reduce the discount, which may include periodic repurchases of, or tender offers for, the Shares. No assurance can be given that the Board will undertake any such action or that if repurchases are made, the Shares will thereafter trade at a price that is close to or equal to NAV. See "Description of Capital Stock – Share Repurchases and Tender Offers."

On November 11, 2011, the last reported sales price of the Shares on the NYSE was $3.64 and its NAV per Share was $4.28, representing a discount from NAV per Share of -14.95%.

DISTRIBUTION POLICY

The Fund currently has a policy of making regular managed dividend payments or other distributions to its stockholders. Dividends and other distributions generally will be taxable to stockholders whether they are reinvested in Shares or received in cash, although amounts treated as a tax-free return of capital will reduce a stockholder's adjusted basis in its Shares, thereby increasing the stockholder's potential gain or reducing its potential loss on the subsequent sale of those Shares. Pursuant to the requirements of the 1940 Act and other applicable laws, a notice will accompany each distribution indicating the source(s) of the distribution to the extent it is from a source other than the Fund's accumulated undistributed net income or net income for the current or preceding fiscal year. The Board reserves the right to change or eliminate the Fund's distribution policy any time without notice.

If, for any distribution, the sum of previously undistributed net investment income and net realized capital gains is less than the amount of the distribution, the difference, i.e., the return of capital, will be charged against the Fund's capital. If, for any taxable year of the Fund (which, like its fiscal year, ends on November 30), the total distributions exceed the sum of the Fund's net investment income and net realized short and long term capital gains, the excess will generally be treated first as ordinary dividend income (up to the amount of the Fund's current and accumulated earnings and profits) and then as a return of capital (tax-free for a stockholder up to the amount of its tax basis in its Shares). See "Tax Considerations" in the SAI. The Fund's final distribution, if any, in each calendar year may include any remaining net investment income undistributed during the most recent fiscal year, as well as all undistributed net capital gains realized during that year.

If the Fund's investments do not generate sufficient income, the Fund may be required to liquidate a portion of its portfolio to fund these distributions, and therefore these payments may represent a reduction of the shareholders' principal investment. If the Fund distributes amounts in excess of its net investment income and realized net capital gain, such distributions will decrease the Fund's capital and, therefore, have the potential effect of increasing the Fund's expense ratio. To make such distributions, the Fund may have to sell a portion of its investment portfolio at a time when it would otherwise not do so.

Under the 1940 Act, the Fund may not declare any dividend or other distribution upon any class of its capital stock, or purchase any such capital stock, unless the aggregate indebtedness of the Fund has, at the time of the declaration of any such dividend or other distribution or at the time of any such purchase, an asset coverage of at least 300% after deducting the amount of such dividend, other distribution, or purchase price, as the case may be. In addition, certain lenders may impose additional restrictions on the payment of dividends or other distributions on the Shares in the event of a default on the Fund's borrowings. Any limitation on the Fund's ability to make distributions to the holders of its common stock could, under certain circumstances, impair its ability to maintain its qualification for taxation as a regulated investment company. See "Tax Considerations" in the SAI.

DIVIDEND REINVESTMENT PLAN

The Fund has a Dividend Reinvestment Plan (the "Plan"). Each registered stockholder of the Fund will automatically be a participant in the Plan, unless the stockholder specifically elects to receive all dividends and capital gain distributions in cash paid by check mailed directly to the stockholder by IST Shareholder Services, 209 West Jackson Blvd., Suite 903, Chicago, Illinois 60606, 1-800-757-5755, as agent under the Plan (the "Agent"). The Agent will open an account for each stockholder under the Plan in the same name in which such stockholder's Shares are registered.

Whenever the Fund declares a capital gain distribution or an income dividend payable in Shares or cash, participating stockholders will take the distribution or dividend entirely in Shares and the Agent will automatically receive the Shares, including fractions, for the stockholder's account in accordance with the following: Whenever the Market Price (as defined below) per Share is equal to or exceeds the NAV per Share at the time Shares are valued for the purpose of determining the number of Shares equivalent to the cash dividend or capital gain distribution (the "Valuation Date"), participants will be issued additional Shares equal to the amount of such dividend divided by the greater of the Fund's NAV per Share or 95% of the Fund's Market Price per Share. Whenever the Market Price per Share is less than such NAV on the Valuation Date, participants will be issued additional Shares equal to the amount of such dividend divided by the Market Price. The Valuation Date is the day before the dividend or distribution payment date or, if that day is not a NYSE trading day, the next business day.

If the Fund should declare a dividend or capital gain distribution payable only in cash, the Agent will, as purchasing agent for the participating stockholders, buy Shares in the open market, or elsewhere, for such stockholders' accounts after the payment date, except that the Agent will endeavor to terminate purchases in the open market and cause the Fund to issue the remaining Shares if, following the commencement of the purchases, the market value of the Shares exceeds the NAV. These remaining Shares will be issued by the Fund at a price equal to the Market Price. In a case where the Agent has terminated open market purchases and caused the issuance of remaining Shares by the Fund, the number of Shares received by the participant in respect of the cash dividend or distribution will be based on the weighted average of prices paid for Shares purchased in the open market and the price at which the Fund issues remaining Shares. To the extent that the Agent is unable to terminate purchases in the open market before the Agent has completed its purchases, or remaining Shares cannot be issued by the Fund because the Fund declared a dividend or distribution payable only in cash, and the market price exceeds the NAV of the Shares, the average Share purchase price paid by the Agent may exceed the NAV of the Shares, resulting in the acquisition of fewer Shares than if the dividend or capital gain distribution had been paid in Shares issued by the Fund. The Agent will apply all cash received as a dividend or capital gain distribution to purchase shares of common stock on the open market as soon as practicable after the payment date of the dividend or capital gain distribution, but in no event later than 45 days after that date, except when necessary to comply with applicable provisions of the federal securities laws.

For all purposes of the Plan:(a) the "Market Price" of the Shares on a particular date shall be the average of the volume weighted average sale prices or, if no sale occurred then the mean between the closing bid and asked quotations, for the Shares on the NYSE on each of the five business days the Shares traded ex-dividend immediately prior to such date, and (b) the NAV per share on a particular date shall be as determined by or on behalf of the Fund.

The open market purchases provided for above may be made on any securities exchange on which the Shares are traded, in the over the counter market, or in negotiated transactions, and may be on such terms as to price, delivery and otherwise as the Agent shall determine. Funds held by the Agent uninvested will not bear interest, and it is understood that, in any event, the Agent shall have no liability in connection with any inability to purchase Shares within 45 days after the initial date of such purchase as provided in the Plan, or with the timing of any purchases effected. The Agent shall have no responsibility as to the value of the Shares acquired for the stockholder's account.

The Agent will hold Shares acquired pursuant to the Plan in noncertificated form in the Agent's name or that of its nominee. At no additional cost, a stockholder participating in the Plan may send to the Agent for deposit into its Plan account those certificate shares of the Fund in its possession. These Shares will be combined with those unissued full and fractional Shares acquired under the Plan and held by the Agent. Shortly thereafter, such stockholder will receive a statement showing its combined holdings. The Agent will forward to the stockholder any proxy solicitation material and will vote any Shares so held for the stockholder only in accordance with the proxy returned by the stockholder to the Fund. Upon the stockholder's written request, the Agent will deliver to him or her, without charge, a certificate or certificates for the full Shares.

The Agent will confirm to the stockholder each acquisition for the stockholder's account as soon as practicable but not later than 60 days after the date thereof. Although the stockholder may from time to time have an individual fractional interest (computed to three decimal places) in a Share, no certificates for fractional Shares will be issued. However, dividends and other distributions on fractional Shares will be credited to stockholders' accounts. In the event of a termination of a stockholder's account under the Plan, the Agent will adjust for any such undivided fractional interest in cash at the opening market value of the Shares at the time of termination.

Any stock dividends or split Shares distributed by the Fund on Shares held by the Agent for the stockholder will be credited to the stockholder's account. In the event that the Fund makes available to the stockholder the right to purchase additional Shares or other securities, the Shares held for a stockholder under the Plan will be added to other Shares held by the stockholder in calculating the number of rights to be issued to such stockholder. Transaction processing may either be curtailed or suspended until the completion of any stock dividend, stock split, or corporate action.

The Agent's service fee for handling capital gain distributions or income dividends will be paid by the Fund. The stockholder will be charged a pro rata share of brokerage commissions on all open market purchases. The stockholder may terminate the account under the Plan by notifying the Agent two days prior to any dividend or distribution payment date. If the request is received less than two days prior to the payment date, then that dividend will be invested, and all subsequent dividends will be paid in cash. Upon any termination the Agent will cause a certificate or certificates for the full Shares held for the stockholder under the Plan and cash adjustment for any fraction to be delivered to the stockholder.

The above terms and conditions may be amended or supplemented by the Fund at any time or times but, except when necessary or appropriate to comply with applicable law or the rules or policies of the Securities and Exchange Commission or any other regulatory authority, only by mailing to the stockholder appropriate written notice at least 30 days prior to the effective date thereof. The amendment or supplement shall be deemed to be accepted by the stockholder unless, prior to the effective date thereof, the Agent receives written notice of the termination of such stockholder's account under the Plan. Any such amendment may include an appointment by the Fund of a successor agent in its place and stead under these terms and conditions, with full power and authority to perform all or any of the acts to be performed by the Agent. Upon any such appointment of an Agent for the purpose of receiving dividends and other distributions, the Fund will be authorized to pay to such successor Agent all dividends and other distributions payable on Shares held in the stockholder's name or under the Plan for retention or application by such successor Agent as provided in the Plan.

In the case of stockholders, such as banks, brokers or nominees, which hold Shares for others who are the beneficial owners, the Agent will administer the Plan on the basis of the number of Shares certified from time to time by the stockholders as representing the total amount registered in the stockholder's name and held for the account of beneficial owners who are to participate in the Plan.

Under the Plan, the Agent shall at all times act in good faith and agree to use its best efforts within reasonable limits to insure the accuracy of all services performed under the Plan and to comply with applicable law, but assumes no responsibility and shall not be liable for loss or damage due to errors unless the errors are caused by its negligence, bad faith or willful misconduct or that of its employees. Neither the Fund or the Agent will be liable for any act performed in good faith or for any good faith omission to act, including without limitation, any claim of liability arising out of (i) failure to terminate a stockholder's account, sell shares or purchase shares, (ii) the prices which shares are purchased or sold for the stockholder's account, and (iii) the time such purchases or sales are made, including price fluctuation in market value after such purchases or sales.

The automatic reinvestment of dividends and other distributions will not relieve participants in the Plan of any federal, state or local income taxes that may be payable (or required to be withheld) on such distributions.

Stockholders participating in the Plan may receive benefits not available to stockholders not participating in the Plan. If the market price plus commissions of the Shares is above the NAV, participants in the Plan will receive Shares at less than they could otherwise purchase them and will have Shares with a cash value greater than the value of any cash distribution they would have received on their Shares. If the market price plus commissions is below the NAV, participants will receive distributions in Shares with a NAV greater than the value of any cash distribution they would have received on their Shares. However, there may be insufficient Shares available in the market to make distributions in Shares at prices below the NAV. Also, since the Fund does not redeem its Shares, the price on resale may be more or less than the NAV.

The Fund reserves the right to amend or terminate the Plan at any time. There is no direct service charge to participants in the Plan, although the Fund reserves the right to amend the Plan to include a service charge payable by participants in the Plan.

All communications concerning the Plan should be directed to the Plan Agent at IST Shareholder Services, 209 West Jackson Boulevard, Suite 903, Chicago, IL 60606, 1-800-757-5755.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE OFFERING

This section describes the material federal income tax consequences of the receipt of the Rights and the subsequent exercise or expiration of the Rights. This section applies to you only if (1) you are a "United States person" (as defined below) who beneficially owns Rights, (2) you are not a member of a special class of holders subject to special federal tax rules (including those enumerated below), (3) you acquire the Rights pursuant to the offering described herein (in this section, "Offer"), and (4) you hold the Rights as capital assets for federal income tax purposes. (A person who satisfies all those requirements is referred to below as a "Holder.")

The term "United States person" means any of the following:

- a citizen or resident of the United States;
- a corporation or partnership (or other entity treated as such) that is created or organized in the United States or under the law of the United States or of any state thereof or the District of Columbia;
- any estate other than an estate the income of which, from non-U.S. sources that is not effectively connected with the conduct of a trade or business within the United States, is not includible in gross income; and
- any trust if a U.S. court can exercise primary supervision over the trust's administration and one or more United States persons have the authority to control all substantial decisions of the trust.

The persons subject to special federal tax rules and thus excluded from the definition of "Holder" include the following: (1) a dealer in securities, (2) a trader in securities that elects to use a mark-to-market method of accounting for securities holdings, (3) a tax-exempt organization, (4) a life insurance company, (5) a person liable for federal alternative minimum tax, (6) a person that actually or constructively owns 10% or more of the Fund's voting stock, (7) a person that holds Rights as part of a straddle or a hedging or conversion transaction, (8) a person deemed to sell Rights in a constructive sale transaction, (9) a person owning Rights through a partnership or other pass-through entity, (10) a person whose functional currency is not the U.S. dollar, and (11) a person who is a U.S. expatriate.

This section does not consider the specific facts and circumstances that may be relevant to a particular Holder and does not address the treatment of a Holder under the laws of any state, local, or foreign taxing jurisdiction. This section is based on the Code, its legislative history, the final, temporary, and proposed regulations thereunder, court decisions, and published administrative pronouncements, all as in effect on the date of this prospectus, and all of which are subject to change, possibly retroactively.

If a partnership holds Rights, the income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding Rights should consult its tax advisor with regard to the income tax treatment of the Rights.

You should consult a tax advisor regarding the tax consequences of acquiring, holding, and exercising Rights, and of allowing Rights to expire, in your particular circumstances, as well as any tax consequences that may arise under the laws of any state, local, or foreign taxing jurisdiction.

Receipt of Rights. A Holder's receipt of Rights should not constitute a taxable event to the Holder for federal income tax purposes. (The remainder of this section assumes that result.)

Basis in and Holding Period of Rights. A Holder's tax basis in Rights issued to it will be zero, and its holding period therefor will begin on the day after the Rights are issued, unless either (1) the fair market value of the Rights on the date they are issued is 15% or more of the value of the Shares with respect to which the Rights were issued ("Old Shares"), which the Fund does not expect, or (2) the Holder elects to allocate to the Rights a portion of its basis in the Old Shares ("Election"). If either (1) or (2) applies, basis will be allocated in proportion to the relative fair market values of the Old Shares and the Rights on the date the Rights are issued, and the Holder's holding period for the Rights will include its holding period for the Old Shares. A Holder who wishes to make the Election must attach a statement to that effect to its income tax return for the taxable year in which the Rights are received. The Election will apply to all Rights the Holder receives pursuant to the Offer and, once made, will be irrevocable. If, as the Fund expects, the value of the Rights a Holder receives is less than 15% of the value of its Old Shares, the Holder should consult its own tax advisor(s) regarding the advisability of making the Election. The Fund will not, however, make any determination regarding the fair market value of the Rights.

Expiration of Rights. If a Holder does not exercise its Rights and they expire, the Holder should not recognize a loss for federal income tax purposes (even if the Holder has a tax basis in the Rights). Instead, if the Holder had previously allocated to the Rights a portion of the tax basis in its Old Shares, that basis will be reallocated to the Old Shares.

Exercise of Rights. A Holder will not recognize taxable income on the exercise of Rights. A Holder's basis in any Share acquired on the exercise of Rights ("New Share") will equal the sum of the basis, if any, in those Rights and the Subscription Price for the New Share. A Holder's holding period for a New Share will begin with and include the date of exercise of the related Rights.

Employee Plan Considerations

Stockholders that are (1) employee benefit plans (including corporate savings and Code section 401(k) plans) subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), (2) other tax-qualified retirement plans (including so-called "Keogh plans" of self-employed individuals), or (3) individual retirement accounts ("IRAs") (each, a "Benefit Plan") should be aware that additional contributions of cash to a Benefit Plan (other than certain rollover contributions or trustee-to-trustee transfers from other Benefit Plans) in order to exercise Rights would be treated as Benefit Plan contributions and, when taken together with contributions previously made thereto, may subject the Benefit Plan to a federal excise tax for excess or nondeductible contributions. In the case of a Benefit Plan qualified under Code section 401(a), additional cash contributions could cause the maximum contribution limitations of Code section 415 or other qualification rules to be violated. A Benefit Plan contemplating receiving additional cash contributions to exercise Rights should consult with its counsel before doing so.

Benefit Plans and other tax-exempt entities, including governmental plans, also should be aware that if they borrow to finance their exercise of Rights, they may become subject to the tax on unrelated business taxable income under Code section 511. If any portion of an IRA is used as security for a loan, that portion is also treated as a distribution to the IRA depositor.

ERISA contains prudence and fiduciary responsibility requirements, and ERISA and the Code contain prohibited transaction rules, that may affect the exercise of Rights. Among the prohibited transaction exemptions the Department of Labor has issued that may exempt a Benefit Plan's exercise of Rights are those governing purchases of shares in investment companies and covering sales of securities. Due to the complexity of these rules and the penalties for noncompliance, participants who hold Shares in a Benefit Plan should consult with their counsel and other advisors regarding the consequences of their exercise of Rights under ERISA and the Code.

DESCRIPTION OF CAPITAL STOCK

Common Stock

The Fund is authorized to issue 100,000,000 shares of capital stock, par value $0.01 per share, all of which shares, as of the date of this prospectus, are classified as common stock. The Board may, however, classify and reclassify any unissued shares of capital stock into one or more additional or other classes or series as may be established from time to time by setting or changing in any one or more respects the designations, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications or terms or conditions of redemption of such shares of stock and pursuant to such classification or reclassification to increase or decrease the number of authorized shares of any existing class or series.

Shares of the Fund's issued and outstanding common stock are fully paid and non-assessable. All Shares have the same dividend, distribution, and voting rights and have no preemptive, conversion, exchange, or redemption rights. Stockholders are entitled to share pro rata in the net assets of the Fund available for distribution to stockholders upon liquidation of the Fund. Stockholders are entitled to one vote for each share held.

The Fund may use leverage through Senior Securities. If the Board were to determine to leverage the Fund's common stock through the issuance of preferred stock, the Fund would reclassify an amount of unissued capital stock as preferred stock and at that time offer shares of preferred stock representing up to approximately 50% of the Fund's total assets immediately after the issuance of such preferred stock. If the Fund were to issue preferred stock, and so long as any shares of the Fund's preferred stock remained outstanding, holders of the Fund's common stock would not be entitled to receive any net income of or other distributions from the Fund unless all accumulated dividends on any such preferred stock have been paid, and unless asset coverage (as defined under the 1940 Act) with respect to the preferred stock would be at least 200% after giving effect to such distributions. See "Special Considerations and Risk Factors—Risks of Investing in the Fund—Leverage and Borrowing Risk" for a discussion of the potential effects and limitations of such borrowing on the Shares.

Share Repurchases and Tender Offers

Shares of closed end funds frequently trade at discounts from NAV. The Investment Manager cannot predict whether the Shares will trade above, at, or below their NAV. The market price of the Shares will be determined by, among other things, the supply and demand for the Shares, the Fund's investment performance, and investor perception of the Fund's overall attractiveness as an investment as compared with alternative investments. If Shares publicly trade for a substantial period of time at a substantial discount from the Fund's then current NAV per Share, the Board may consider, from time to time, authorizing various actions designed to eliminate the discount. The actions considered by the Board may include periodic repurchases of, or tender offers for, the Shares. The Board would consider all relevant factors in determining whether to take any such actions, including the effect of such actions on the Fund's status as a RIC (see "Tax Considerations" in the SAI), and the availability of cash to finance any such repurchases in view of the restrictions on the Fund's ability to borrow. No assurance can be given that Share repurchases will be made or that, if made, they will reduce or eliminate market discount. Should any such repurchases be made in the future, it is expected that they would be made at prices at or below the NAV per Share. Any such repurchases would cause the Fund's net assets to decrease, which may have the effect of increasing the Fund's expense ratio.

Under certain circumstances, a stockholder vote may be required to authorize periodic repurchases of the Shares. In considering whether to recommend to stockholders such authorization, the Board similarly would consider a number of factors including limitations that may be placed on the Fund's investment policies as a consequence of such repurchase policy.

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Preferred Stock

It is anticipated that if the Board determines to issue preferred stock, that stock will be issued in one or more series, with rights as determined by the Board, by Board action without the approval of the holders of the Shares. Under the 1940 Act, the Fund may have more than one series of preferred stock outstanding so long as no single series has a priority over another series as to the distribution of assets of the Fund or the payment of dividends. Holders of the Shares have no preemptive right to buy any shares of preferred stock that may be issued. It is anticipated that the NAV per share of the preferred stock, if issued, will equal its original purchase price per share plus accumulated dividends per share.

Liquidation Preference. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Fund, the holders of shares of preferred stock will be entitled to receive a preferential liquidating distribution (expected to equal the original purchase price per share plus an amount equal to accumulated and unpaid dividends, whether or not earned or declared) before any distribution of assets is made to holders of the Shares. After payment of the full amount of the liquidating distribution to which they are entitled, the holders of preferred stock will not be entitled to any further participation in any distribution of assets by the Fund. A consolidation or merger of the Fund with or into any other corporation or corporations or a sale of all or substantially all of the assets of the Fund will not be deemed to be a liquidation, dissolution, or winding up of the Fund.

Voting Rights. The 1940 Act requires that the holders of any preferred stock, voting separately as a single class, have the right to elect at least two Directors at all times and, subject to the prior rights, if any, of holders of any other class of senior securities outstanding, to elect a majority of the Directors at any time that two full years' dividends on any preferred stock are unpaid. In addition to any approval by stockholders that might otherwise be required, the 1940 Act also requires the approval of the holders of a majority of any outstanding preferred stock, voting separately as a class, to(a) adopt any plan of reorganization that would adversely affect the preferred stock and (b) take any action requiring a vote of security holders pursuant to Section 13(a) of the 1940 Act, including, among other things, changes in the Fund's subclassification as a closed end fund or changes in its fundamental investment restrictions. See "Certain Anti-Takeover Provisions in the Governing Documents" below concerning voting requirements for conversion of the Fund to an open end fund. In addition, except as otherwise indicated in this prospectus and except as otherwise required by applicable law, holders of shares of any preferred stock that is issued likely will have equal voting rights with holders of common stock (one vote per share, unless otherwise required by the 1940 Act), and will vote together with holders of common stock as a single class.

The affirmative vote of the holders of a majority of the outstanding shares of preferred stock, voting as a separate class, will be required to amend, alter or repeal any of the preferences, rights, or powers of holders of shares of preferred stock so as to affect materially and adversely such preferences, rights, or powers, or increase or decrease the number of shares of preferred stock. The class vote of holders of preferred stock described above will in each case be in addition to any other vote required to authorize the action in question.

Redemption, Purchase, and Sale of Preferred Stock by the Fund. The terms of any preferred stock that is issued are expected to provide that such preferred stock is redeemable by the Fund in whole or in part at the original purchase price per share plus accumulated dividends per share, that the Fund may tender for or repurchase shares of preferred stock and that the Fund may subsequently resell any shares so tendered for or repurchased. Any redemption or repurchase of shares of preferred stock by the Fund will reduce the leverage applicable to Shares, while any resale of shares by the Fund will increase such leverage.

The discussion above describes the currently anticipated terms of an offering of preferred stock if, and only if, the Board were to elect to issue preferred stock to leverage the Shares. If the Board determines to proceed with such an offering, the terms of the preferred stock may be the same as, or different from, the terms described above, subject to applicable law and the Fund's Articles of Incorporation, as amended or supplemented. The Board, without the approval of the holders of the Shares, may authorize an offering of preferred stock or may determine not to authorize such an offering, and may fix the terms of the preferred stock to be offered.

Certain Anti-Takeover Provisions in the Governing Documents

Certain Anti-Takeover Provisions in the Governing Documents

The Fund currently has provisions in its Governing Documents (i.e., its Articles of Amendment and Restatement ("Articles of Incorporation" or "Charter") and Amended and Restated Bylaws ("Bylaws")) which could have the effect of limiting (i) the ability of other entities or persons to acquire control of the Fund; (ii) the Fund's freedom to engage in certain transactions; or (iii) the ability of the Fund's Directors or stockholders to amend the Governing Documents or effectuate changes in the Fund's management. These provisions of the Governing Documents of the Fund may be regarded as "anti-takeover" provisions. The Fund is also subject to certain Maryland law provisions, including those which have been enacted since the inception of the Fund, that make it more difficult for non-incumbents to gain control of the Board. These provisions may have the effect of depriving Fund stockholders of an opportunity to sell their shares at a premium above the prevailing market price by discouraging a third party from seeking to obtain control of the Fund.

Pursuant to the Fund's Governing Documents, the Board is divided into three classes, each having a term of three years. Each year the term of one class of Directors will expire. Each Director serves for a three year term and until his or her successor is elected and qualified. Accordingly, only those Directors in one class may be changed in any one year, and it would require a minimum of two years to change the majority of the Board. Unless all nominees for Director are approved by a majority of the Continuing Directors (as defined in the Bylaws), an affirmative vote of at least 75% of the outstanding shares of capital stock of the Fund entitled to be voted are required to elect a Director. If all nominees for Director are approved by a majority of the Continuing Directors, a plurality of all the votes cast at a meeting at which a quorum is present shall be sufficient to elect a Director. The Fund's Charter provides that a Director may only be removed for cause and only by action of stockholders with at least 75% of the votes then entitled to be cast in an election of Directors, or, in the case of Directors elected by holders of senior securities, if any, only by the action of the holders of such senior securities with at least 75% of the votes then entitled to be cast by the holders of such senior securities.

The Charter provides that the affirmative vote of at least 75% of the outstanding shares of capital stock of the Fund entitled to be voted on the matter is required to authorize any of the following transactions:

- a merger or consolidation or statutory share exchange of the Fund with any other corporation, other than a corporation that is 90% or more owned by the Fund;
- a sale of all or substantially all of the assets of the Fund (other than in the regular course of its investment activities); or
- a liquidation or dissolution of the Fund

unless such action has been approved, adopted or authorized by the affirmative vote of at least 75% of the total number of Directors fixed in accordance with the Bylaws, in which case the affirmative vote of the holders of a majority of the outstanding shares of capital stock of the Fund entitled to vote on the matter is required.

The Charter also provides that amendment of the Charter to convert the Fund into an open end investment company requires the affirmative vote of (i) at least 75% of the total number of Directors fixed in accordance with the Fund's By-Laws, including a majority of disinterested directors (as defined by the 1940 Act); (ii) at least 75% of all shares of capital stock of the Fund entitled to be voted on the matter (which includes common stock and preferred stock together); and (iii) at least 75% of outstanding shares of preferred stock of the Fund, if any, voting as a separate class. There is no assurance that a favorable stockholder vote could be achieved. Such a vote also would satisfy a separate requirement in the 1940 Act that the change be approved by the stockholders. Conversion of the Fund to an open end fund would require the redemption of any outstanding preferred shares and any indebtedness not constituting bank loans, which could eliminate or alter the leveraged capital structure of the Fund with respect to the shares of common stock. Following any such conversion, it is also possible that certain of the Fund's investment policies and strategies would have to be modified to assure sufficient portfolio liquidity. Such requirement could cause the Fund to dispose of portfolio securities or other assets at a time when it is not advantageous to do so, and could adversely affect the ability of the Fund to meet its investment objectives. In the event of conversion, the shares of common stock would cease to be listed on the NYSE or other national securities exchange or market system. Stockholders of an open end fund may require the company to redeem their shares at any time (except in certain circumstances as authorized by or under the 1940 Act) at their NAV, less such redemption charge, if any, as might be in effect at the time of redemption. The Fund expects to pay all such redemption requests in cash, but intends to reserve the right to pay redemption requests in a combination of cash or securities. If a payment in securities were made, investors may incur brokerage costs in converting such securities to cash. If the Fund were converted to an open end fund, it is possible that new shares of common stock would be sold at NAV plus a sales load.

The Bylaws provide that only the Board, including the vote of the majority of the Continuing Directors, shall fix the number of Directors on the Board. In addition, the Bylaws vest in the Board the sole power to fill any vacancies on the Board (including an vacancy resulting from an increase in the size of the Board) with the affirmative vote of a majority of the members of a committee of the Board (as provided for in the Bylaws) consisting of the remaining Continuing Directors in office, even if the remaining Continuing Directors do not constitute a quorum. Any Director elected to fill a vacancy shall hold office for the remainder of the full term of the directorship in which the vacancy occurred and until a successor is elected and qualifies.

The Bylaws provide that, with respect to annual meetings of stockholders, nominations of persons for election to the Board and the proposal of other business to be considered by the stockholders may be made only: (i) pursuant to the Fund's notice of meeting; (ii) by or at the direction of the Board; or (iii) by a stockholder who is entitled to vote at the meeting, is a stockholder of the Fund at the time of the meeting, and who has complied with certain procedural and informational requirements of the Bylaws. With respect to special meetings of stockholders, only the business specified in the Fund's notice of the meeting may be brought before the meeting. Nominations of persons for election to the Board may be made at a special meeting of stockholders at which Directors are to be elected: (i) pursuant to the Fund's notice of meeting; (ii) by or at the direction of the Board; or (iii) provided that the Board has determined that the Directors shall be elected at such special meeting, by a stockholder who is entitled to vote at the meeting, is a stockholder of the Fund at the time of the meeting, and who has complied with certain procedural and informational requirements of the Bylaws. Nominees for election as Director meet certain qualifications set forth in the Bylaws, including the Fund's Conflict of Interest and Corporate Opportunities Policy.

The Bylaws provide that special meetings of stockholders may be called by the Board and certain of the Fund's officers. Additionally, the Fund's Bylaws provide that, subject to the satisfaction of certain procedural and informational requirements by the stockholders requesting the meeting, a special meeting of stockholders may be called upon the written request of stockholders entitled to cast not less than a majority of all of the votes entitled to be cast at such meeting.

The Bylaws require that certain proposed advisory, sub-advisory, or management contracts with an affiliate of current and certain former independent Fund directors be approved by 75% of the Fund's Independent Directors who are not so affiliated. If such a contract or similar contracts are approved, the Bylaws would provide automatic liquidity to dissatisfied stockholders by requiring the Fund to commence a tender offer to the fullest extent permitted by applicable law, for at least 50% of its outstanding Shares at a price of at least 99% of the Fund's per Share NAV.

Stockholders have no authority to make, alter or repeal the Bylaws. The Board has the exclusive power to make, alter or repeal any provision of the Bylaws and make new Bylaws, except where such power is reserved by the Bylaws to the stockholders, and except as otherwise required by the 1940 Act.

The provisions of the Governing Documents described above could have the effect of depriving the owners of shares in the Fund of opportunities to sell their shares at a premium over prevailing market prices, by discouraging a third party from seeking to obtain control of the Fund in a tender offer or similar transaction. The overall effect of these provisions is to render more difficult the accomplishment of a merger or the assumption of control by a principal shareholder.

The foregoing summary is subject to the Governing Documents of the Fund, which are on file with the SEC and available on the Fund's website http://www.dividendandincomefund.com.

Outstanding Securities

As of October 24, 2011, the Fund had 16,921,198 Shares outstanding and no shares of preferred stock outstanding. The following shows the Fund's outstanding classes of securities as of October 24, 2011.

(1) Title of Class	(2) Amount Authorized	(3) Amount Held by the Fund or for its Account	(4) Amount Outstanding Exclusive of Amount Shown Under (3)
Common Stock	100,000,000	0	16,921,198

CLOSED END FUND STRUCTURE

Closed end funds differ from open end funds (commonly referred to as mutual funds) in that closed end funds generally list their shares for trading on a securities exchange and do not redeem their shares at the option of the stockholder. This means that if a stockholder wishes to sell shares of a closed end fund, he or she must trade them on the market like any other stock at the prevailing market price at that time. In a mutual fund, if the stockholder wishes to sell shares of the fund, the mutual fund will redeem or buy back the shares at NAV. Also, mutual funds generally offer new shares on a continuous basis to new investors, and closed end funds generally do not. The continuous inflows and outflows of assets in a mutual fund can make it difficult to manage the fund's investments. By comparison, closed end funds are generally able to stay more fully invested in securities that are consistent with their investment objectives and also have greater flexibility to make certain types of investments and to use certain investment strategies, such as leverage and investments in illiquid securities.

Shares of closed end funds frequently trade at a discount to their NAV, although in some cases they may trade at a premium. This characteristic of shares of closed end funds is a risk separate and distinct from the risk that the Fund's NAV may decrease. The market price may be affected by trading volume of the shares, general market and economic conditions and other factors beyond the control of the closed end fund. The foregoing factors may result in the market price of the shares being greater than, less than or equal to NAV. Whether a common stockholder will realize a gain or loss upon the sale of the Fund's common shares will depend upon whether the market value of the common shares at the time of sale is above or below the price the common stockholder paid, taking into account transaction costs, for the common stock and is not directly dependent upon the Fund's NAV. Because the market value of the common stock will be determined by factors such as the relative demand for and supply of the shares in the market, general market conditions and other factors beyond the control of the Fund, the Fund cannot predict whether its common stock will trade at, below or above NAV or below or above the Subscription Price for the Shares.

CUSTODIAN, TRANSFER AGENT AND DIVIDEND-PAYING AGENT

State Street Bank and Trust Company, 801 Pennsylvania, Kansas City, MO 64105, has been retained to act as Custodian of the Fund's investments and may appoint one or more subcustodians. The Custodian is responsible for the safekeeping of Fund assets and (its affiliate) acts as securities lending agent, a securities broker for portfolio transactions by the Fund, and provides the Line of Credit to the Fund. As part of its agreement with the Fund, the Custodian may apply credits or charges for its services to the Fund for, respectively, positive or deficit cash balances maintained by the Fund with the Custodian.

IST Shareholder Services, 209 West Jackson Boulevard, Suite, 903 Chicago, IL 60606, acts as the Fund's Transfer and Dividend Disbursing Agent and as the Subscription Agent in this rights offering.

LEGAL MATTERS

Certain legal matters with respect to the rights offering will be passed upon by K&L Gates LLP, Washington, D.C.

LEGAL PROCEEDINGS

There are no material pending legal proceedings to which the Fund or the Investment Manager is a party.

ADDITIONAL INFORMATION

The Fund has filed with the SEC a registration statement on Form N-2 together with all amendments and related exhibits under the Securities Act. The registration statement contains additional information about the Fund and the securities being offered by this prospectus.

The Fund files annual and semi-annual reports, proxy statements and other information with the SEC. You can inspect any materials the Fund files with the SEC, without charge, at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. The information the Fund files with the SEC is available free of charge by calling the Fund collect at 1-212-785-0400 or on our website at http://www.dividendandincomefund.com. The SEC also maintains a website that contains reports, proxy statements and other information regarding registrants, including the Fund, that file such information electronically with the SEC. The address of the SEC's web site is www.sec.gov. Unless specifically incorporated into this prospectus, documents contained on the Fund's website or on the SEC's web site about the Fund are not incorporated into this prospectus and should not be considered to be part of this prospectus.

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DIVIDEND AND INCOME FUND, INC.

5,680,000 Shares
of Common Stock
Issuable upon Exercise of Rights
to Subscribe to such Shares

Prospectus

November 14, 2011

DIVIDEND AND INCOME FUND, INC.

(formerly Chartwell Dividend and Income Fund, Inc.)

11 Hanover Square

New York, NY 10005

(212) 785-0400

STATEMENT OF ADDITIONAL INFORMATION

Dated November 14, 2011

This Statement of Additional Information ("SAI") relating to the shares of common stock ("Shares") of Dividend and Income Fund, Inc. (the "Fund") is not a prospectus. This SAI should be read with the Fund's prospectus dated November 14, 2011, as it may be supplemented from time to time (the "Prospectus"). This SAI does not include all of the information a prospective investor should consider before purchasing Shares, and investors should obtain and read the Prospectus prior to purchasing Shares. The Prospectus and the Fund's Annual Report to Stockholders for the fiscal year ended November 30, 2010, both of which are incorporated herein by reference, may be obtained, without charge and upon request (i) by calling the Fund collect at 1-212-785-0400 or (ii) by written request to the Fund at 11 Hanover Square, New York, NY 10005, Attn: Secretary. The Prospectus and the Fund's Annual Report to Stockholders are also available on the Fund's website at http://www.dividendandincomefund.com. Capitalized terms used but not defined in this SAI have the respective meanings ascribed to them in the Prospectus.

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You should rely only on the information contained or incorporated by reference in this SAI or the Prospectus. No person has been authorized to give any information or to make any representations other than those contained in this SAI and the Prospectus in connection with the offer contained herein, and, if given or made, such information or representations must not be relied upon as having been authorized by the Fund. Offers to sell, and offers to buy, Shares may only be made and are valid only in jurisdictions where such offers and sales are permitted. The information contained in this SAI is accurate only as of the date of this SAI.

FUND HISTORY

The Fund is a diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended ("1940 Act"). The Fund was incorporated under the laws of the State of Maryland on April 6, 1998 and commenced investment operations on June 29, 1998. The Fund's common stock, par value $0.01 per share ("Shares") trades on the NYSE under the symbol "DNI."

Bexil Advisers LLC became the Fund's investment manager ("Investment Manager") effective February 1, 2011. Effective February 14, 2011, the Fund changed its name from Chartwell Dividend and Income Fund, Inc. to Dividend and Income Fund, Inc. and its ticker symbol from "CWF" to "DNI."

ADDITIONAL INFORMATION ABOUT THE FUND'S INVESTMENT PROGRAM

The Prospectus presents the investment objectives and the principal investment policies, strategies and risks of the Fund. This section supplements the disclosure in the Fund's prospectus and provides more detailed information about some of the types of instruments in which the Fund may invest and strategies the Investment Manager may employ and also provides information on other types of instruments and investment practices, and related risks, that may be used in pursuit of the Fund's investment objectives. Currently, the Fund does not intend to invest more than 5% of its total assets in, or expose more than 5% of its total assets to, any one of the types of instruments or investment practices described below. This intention does not apply to the types of instruments or investment practices disclosed in the Prospectus.

Money Market Instruments. In addition to repurchase agreements discussed in the Prospectus, the Fund may invest in the following types of money market instruments:

Bank Obligations. The Fund may purchase certificates of deposit, time deposits, bankers' acceptances and other short term obligations issued by domestic banks, foreign subsidiaries or foreign branches of domestic banks, domestic and foreign branches of foreign banks, domestic savings and loan associations and other banking institutions. With respect to such securities issued by foreign subsidiaries or foreign branches of domestic banks, and domestic and foreign branches of foreign banks, the Fund may be subject to additional investment risks.

- Certificates of deposit are negotiable certificates evidencing the obligation of a bank to repay funds deposited with it for a specified period of time.

- Time deposits are non-negotiable deposits maintained in a banking institution for a specified period of time (in no event longer than seven days) at a stated interest rate.

- Bankers' acceptances are credit instruments evidencing the obligation of a bank to pay a draft drawn on it by a customer. These instruments reflect the obligation both of the bank and the drawer to pay the face amount of the instrument upon maturity. The other short term obligations may include uninsured, direct obligations bearing fixed, floating or variable interest rates.

Commercial Paper. Commercial paper is a debt obligation usually issued by corporations (including foreign corporations) and may be unsecured or secured by letters of credit or a surety bond. Commercial paper is usually repaid at maturity by the issuer from the proceeds of the issuance of new commercial paper. As a result, investment in commercial paper is subject to the risk that the issuer cannot issue enough new commercial paper to satisfy its outstanding commercial paper, also known as rollover risk.

Other Short term Corporate Obligations. These instruments include variable amount master demand notes, which are obligations that permit the Fund to invest fluctuating amounts at varying rates of interest pursuant to direct arrangements between the Fund, as lender, and the borrower. These notes permit daily changes in the amounts borrowed. Because these obligations are direct lending arrangements between the lender and borrower, it is not contemplated that such instruments generally will be traded, and there generally is no established secondary market for these obligations, although they are redeemable at face value, plus accrued interest, at any time. Accordingly, where these obligations are not secured by letters of credit or other credit support arrangements, the Fund's right to redeem is dependent on the ability of the borrower to pay principal and interest on demand. Such obligations frequently are not rated by credit rating agencies.

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U.S. Government Securities. The obligations issued or guaranteed by the U.S. government in which the Fund may invest include direct obligations of the U.S. Treasury and obligations issued by U.S. government agencies and instrumentalities. Included among direct obligations of the United States are Treasury Bills, Treasury Notes and Treasury Bonds, which differ in terms of their interest rates, maturities and dates of issuance. Treasury Bills have maturities of less than one year, Treasury Notes have maturities of one to 10 years and Treasury Bonds generally have maturities of greater than 10 years at the date of issuance. Included among the obligations issued by agencies and instrumentalities and government-sponsored enterprises of the United States are instruments that are supported by the full faith and credit of the United States (such as certificates issued by Government National Mortgage Association ("Ginnie Mae")), instruments that are supported by the right of the issuer to borrow from the U.S. Treasury (such as securities of Federal Home Loan Banks), and instruments that are supported only by the credit of the instrumentality (such as Federal National Mortgage Association ("Fannie Mae") or the Federal Home Loan Mortgage Corporation ("Freddie Mac") bonds).

Other U.S. government securities in which the Fund may invest include securities issued or guaranteed by the Federal Housing Administration, Farmers Home Loan Administration, Export-Import Bank of the United States, Small Business Administration, General Services Administration, Central Bank for Cooperatives, Federal Farm Credit Banks, Federal Intermediate Credit Banks, Federal Land Banks, Maritime Administration, Tennessee Valley Authority, District of Columbia Armory Board and Student Loan Marketing Association. The Fund may invest in instruments that are supported by the right of the issuer to borrow from the U.S. Treasury and instruments that are supported solely by the credit of the instrumentality or enterprise.

Historically, U.S. government securities have not been perceived to involve the general credit risks associated with investments in other types of debt securities and, as a result, the yields available from U.S. government securities are generally lower than the yields available from other debt securities. Like other Debt Securities, however, the values of U.S. government securities change as interest rates fluctuate. Fluctuations in the value of these portfolio securities will not affect interest income on existing portfolio securities but will be reflected in the Fund's net asset value ("NAV").

Stripped Securities. The Fund may invest in zero coupon U.S. Treasury securities, which are Treasury Notes and Treasury Bonds that have been stripped of their unmatured interest coupons, the coupons themselves and receipts or certificates representing interests in such stripped debt obligations and coupons. Similar stripped securities also are issued by corporations and financial institutions, which constitute a proportionate ownership of the issuer's pool of underlying securities. A stripped security pays no interest to its holder during its life and is sold at a discount to its face value at maturity. The market prices of such securities generally are more volatile than the market prices of securities that pay interest periodically and are likely to respond to a greater degree to changes in interest rates than coupon securities having similar maturities and credit qualities.

Inflation-Indexed Bonds. The Fund may invest in inflation-indexed bonds, which are debt obligations whose value is periodically adjusted according to the rate of inflation (as measured by the Consumer Price Index for Urban Consumers ("CPI-U")). Two structures are common. The U.S. Treasury and some other issuers utilize a structure that accrues inflation into the principal value of the bond. Most other issuers pay out the CPI-U accruals as part of a semiannual coupon. Inflation-indexed securities issued by the U.S. Treasury (initially known as "Treasury inflation-protection securities" or "TIPS") have maturities of approximately five, ten or thirty years, although it is possible that securities with other maturities will be issued in the future. The U.S. Treasury securities pay interest on a semi-annual basis equal to a fixed percentage of the inflation-adjusted principal amount. For example, if the Fund purchased an inflation-indexed bond with a par value of $1,000 and a 3% real rate of return coupon (payable 1.5% semi-annually), and the rate of inflation over the first six months was 1%, the mid-year par value of the bond would be $1,010 and the first semi-annual interest payment would be $15.15 ($1,010 times 1.5%). If inflation during the second half of the year resulted in the whole year's inflation equaling 3%, the end-of-year par value of the bond would be $1,030 and the second semi-annual interest payment would be $15.45 ($1,030 times 1.5%).

If the periodic adjustment rate measuring inflation falls, the principal value of inflation-indexed bonds will be adjusted downward, and consequently the interest payable on these securities (calculated with respect to a smaller principal amount) will be reduced. Repayment of the original bond principal upon maturity (as adjusted for inflation) is guaranteed in the case of U.S. Treasury inflation-indexed bonds, even during a period of deflation. However, the current market value of the bonds is not guaranteed and will fluctuate. The Fund may also invest in other inflation-related bonds that may or may not provide a similar guarantee. If a guarantee of principal is not provided, the adjusted principal value of the bond repaid at maturity may be less than the original principal amount.

The value of inflation-indexed bonds is expected to change in response to changes in real interest rates. Real interest rates in turn are tied to the relationship between nominal interest rates and the rate of inflation. Therefore, if the rate of inflation rises at a faster rate than nominal interest rates, real interest rates might decline, leading to an increase in value of inflation-indexed bonds. In contrast, if nominal interest rates increase at a faster rate than inflation, real interest rates might rise, leading to a decrease in value of inflation-indexed bonds.

While these securities are expected to be protected from long term inflationary trends, short term increases in inflation may lead to a decline in value. If interest rates rise due to reasons other than inflation (for example, due to changes in currency exchange rates), investors in these securities may not be protected to the extent that the increase is not reflected in the bond's inflation measure.

The periodic adjustment of U.S. inflation-indexed bonds is tied to the CPI-U, which is calculated monthly by the U.S. Bureau of Labor Statistics. The CPI-U is a measurement of changes in the cost of living, made up of components such as housing, food, transportation and energy. Inflation-indexed bonds issued by a foreign government are generally adjusted to reflect a comparable inflation index calculated by that government. There can be no assurance that the CPI-U or any foreign inflation index will accurately measure the real rate of inflation in the prices of goods and services. Moreover, there can be no assurance that the rate of inflation in a foreign country will be correlated to the rate of inflation in the United States.

Any increase in the principal amount of an inflation-indexed bond will be considered taxable ordinary income, even though investors do not receive their principal until maturity.

Foreign Government Obligations; Securities of Supranational Entities. The Fund may invest in obligations issued or guaranteed by one or more foreign governments or any of their political subdivisions, agencies or instrumentalities. Supranational entities include international organizations designated or supported by governmental entities to promote economic reconstruction or development and international banking institutions and related government agencies.

Variable and Floating Rate Securities. Variable and floating rate securities provide for a periodic adjustment in the interest rate paid on the obligations. The terms of such obligations must provide that interest rates are adjusted periodically based upon an interest rate adjustment index as provided in the respective obligations. The adjustment intervals may be regular, and range from daily up to annually, or may be event based, such as based on a change in the prime rate.

The Fund may invest in floating rate debt instruments ("floaters"). The interest rate on a floater is a variable rate which is tied to another interest rate, such as a money-market index or Treasury Bill rate. The interest rate on a floater resets periodically, typically every six months. Because of the interest rate reset feature, floaters provide the Fund with a certain degree of protection against rises in interest rates, although the Fund will participate in any declines in interest rates as well. The Fund also may invest in inverse floating rate debt instruments ("inverse floaters"). The interest rate on an inverse floater resets in the opposite direction from the market rate of interest to which the inverse floater is indexed or inversely to a multiple of the applicable index. An inverse floating rate security may exhibit greater price volatility than a fixed rate obligation of similar credit quality.

Zero Coupon Bonds, Step-Up Bonds and Payment-In-Kind Securities. Zero coupon bonds are debt obligations that do not entitle the holder to any periodic payments of interest either for the entire life of the obligation or for an initial period after the issuance of the obligations. Like zero coupon bonds, "step up" bonds ("step-ups") pay no interest initially but eventually begin to pay a coupon rate prior to maturity, which rate may increase at stated intervals during the life of the security. Payment-in-kind securities ("PIKs") are debt obligations that pay "interest" in the form of other debt obligations, instead of in cash.

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Each of these instruments is typically issued and traded at a deep discount from its face amount; the discount on a zero coupon bond or step-up, which is the difference between the price at which the bond was issued and its stated redemption price at maturity, is called "original issue discount" ("OID")). The amount of the discount varies depending on such factors as the time remaining until maturity of the securities, prevailing interest rates, the liquidity of the security and the perceived credit quality of the issuer. The market prices of zero coupon bonds, step-ups and PIKs generally are more volatile than the market prices of securities that pay interest currently and in cash are likely to respond to changes in interest rates to a greater degree than do other types of securities having similar maturities and credit quality. The Fund may purchase some debt securities at a discount that exceeds their OID, if any; this additional discount represents market discount.

To satisfy requirements to continue to qualify each taxable year for treatment as a "regulated investment company" under the Internal Revenue Code of 1986, as amended ("Code"), the Fund must distribute each year at least 90% of its net investment income – including the OID accrued on zero coupon bonds and step-ups (and other debt securities that were originally issued at a discount), which generally is treated for federal income tax purposes as interest, and the "interest" on PIKs – and certain other amounts. See "Tax Considerations." Because the Fund will not, on a current basis, receive cash payments from the issuers in respect of accrued OID and interest on PIKs, it may have to distribute cash obtained from other sources to satisfy the 90% distribution requirement. Such cash might be obtained from selling other portfolio holdings of the Fund. In some circumstances, such sales might be necessary to satisfy cash distribution requirements even though investment considerations might otherwise make it undesirable for the Fund to sell such securities at such time. Under many market conditions, investments in zero-coupon bonds, step-ups and PIKs may be illiquid, making it difficult for the Fund to dispose of them or determine their current value.

Distressed Securities. Distressed securities include securities (1) issued by a company in a bankruptcy reorganization proceeding, (2) subject to some other form of public or private debt restructuring, (3) otherwise in default, or subject to significant risk of being in default, as to the payment of interest or repayment of principal or (4) trading at prices substantially below investment grade debt securities of companies in similar industries. Distressed securities are generally rated Ca1 or lower by Moody's or CC+ or lower by S&P, comparably rated by another rating agency or are unrated but considered by the Investment Manager to be of comparable quality.

Distressed securities frequently do not produce income while they are outstanding. The Fund may be required to incur certain extraordinary expenses in order to protect and recover its investment therein. Therefore, to the extent the Fund seeks capital appreciation through investment in distressed securities, its current income may be diminished. The Fund also will be subject to significant uncertainty as to when and in what manner and for what value the obligations evidenced by the distressed securities will eventually be satisfied (e.g., through a liquidation of the obligor's assets, an exchange offer or plan of reorganization involving the distressed securities or a payment of some amount in satisfaction of the obligation). In addition, even if an exchange offer is made or a plan of reorganization is adopted with respect to distressed securities held by the Fund, there can be no assurance that the securities or other assets the Fund receives in connection with such exchange offer or plan of reorganization will not have a lower value or income potential than may have been anticipated when the investment was made. Moreover, any securities the Fund receives upon completion of an exchange offer or plan of reorganization may be restricted as to resale. As a result of the Fund's participation in negotiations with respect to any exchange offer or plan of reorganization with respect to an issuer of distressed securities, the Fund may be restricted from disposing of such securities.

Indexed Securities. The Fund may invest in indexed securities whose values are linked to currencies, interest rates, commodities, indices, or other financial indicators, domestic or foreign. Most indexed securities are short to intermediate term fixed income securities whose values at maturity or interest rates rise or fall according to the change in one or more specified underlying instruments. The value of indexed securities may increase or decrease if the underlying instrument appreciates, and they may have return characteristics similar to direct investment in the underlying instrument. Indexed securities may be more volatile than the underlying instrument itself.

Real Estate Investment Trusts' Securities. The Fund may invest in shares of real estate investment trusts ("REITs"), which are companies that invest primarily in income-producing real estate or real estate related loans or interests. REITs are generally classified as equity REITs, mortgage REITs or a combination of equity and mortgage REITs. Equity REITs invest the majority of their assets directly in real property and derive income primarily from the collection of rents. Equity REITs can also realize capital gains by selling properties that have appreciated in value. Mortgage REITs invest the majority of their assets in real estate mortgages and derive income primarily from interest payments. A REIT is not taxed on net income and gains it distributes to its shareholders, provided it complies with the applicable requirements of the Code. The Fund will indirectly bear its proportionate share of any management and other expenses paid by REITs in whose shares it invests in addition to the expenses the Fund pays directly.

Investing in REITs involves certain unique risks in addition to the risks associated with investing in the real estate industry in general. An equity REIT may be affected by changes in the value of the underlying properties it owns, by changes in economic conditions generally and by changes in the stock market. A mortgage REIT may be affected by changes in interest rates and the ability of the obligors on its portfolio mortgages to repay their obligations. REITs depend on the skills of their managers and are not diversified. REITs generally depend on maintaining cash flows to repay borrowings and to make distributions to shareholders and are subject to the risk of default by lessees or borrowers. REITs whose underlying assets are concentrated in properties used by a particular industry, such as health care, are also subject to risks associated with such industry.

REITs (especially mortgage REITs) are also subject to interest rate risk. When interest rates decline, the value of a REIT's investment in fixed rate obligations can be expected to rise. Conversely, when interest rates rise, the value of a REIT's investment in fixed rate obligations can be expected to decline. If a REIT invests in adjustable rate mortgages (so-called "ARMs"), the interest rates on which are reset periodically, yields on the REIT's investments in such loans will gradually align themselves to reflect changes in market interest rates. This will cause the value of such investments to fluctuate less dramatically in response to interest rate fluctuations than would investments in fixed rate obligations.

REITs may have limited financial resources and may trade less frequently and in a more limited volume than larger company securities.

Business Development Companies. BDCs are vehicles whose principal business is to invest in, lend capital to, or provide services to privately held companies. The 1940 Act, imposes certain requirements upon the operations of a BDC, including that BDCs are required to invest at least 70% of their total assets primarily in securities of private companies or thinly traded U.S. public companies, cash, cash equivalents, U.S. government securities, and high quality debt investments that mature in one year or less. With investments in debt instruments, there is a risk that the issuer may default on its payments or declare bankruptcy. Additionally, a BDC may only incur indebtedness in amounts such that the BDC's asset coverage equals at least 200% after such incurrence. BDCs generally invest in less mature private companies which involve greater risk than well established publicly traded companies. Generally, little public information exists for private companies and there is a risk that investors may not be able to make a fully informed investment decision. These limitations on the assets that a BDC may hold and a BDC's ability to leverage may prohibit the way that the BDC raises capital. The Fund will indirectly bear its proportionate share of any management and other operating expenses, including performance based or incentive fees charged by the BDCs in which it invests, in addition to the expenses paid by the Fund. Investments made by BDCs are generally subject to legal and other restrictions on resale and are otherwise less liquid than publicly traded securities. Due to the absence of a readily ascertainable market value, and because of the inherent uncertainty of fair valuation, fair value of a BDC's investments may differ significantly from the values that would be reflected if the securities were traded in an established market, potentially resulting in material differences between a BDC's NAV per share and its market value. Many BDCs invest in mezzanine and other debt securities of privately held companies, which may be less liquid than other types of debt securities.

The Fund is subject to provisions of the 1940 Act that limit the amount that the Fund and its affiliates, in the aggregate, can invest in any one BDC to 3% of the BDC's total outstanding stock. To comply with provisions of the 1940 Act, on any matter upon which the BDC shareholders are solicited to vote, the Investment Manager will seek to cast the vote of the Fund's BDC shares in the same general proportion as shares held by other shareholders of the BDC.

Private Investment Companies and Offshore Investment Companies. The Fund may invest in the securities of private investment companies, including hedge funds and other pooled investment vehicles, and offshore investment companies. Private investment companies are investment funds, typically organized as limited partnerships or limited liability companies, that are generally not required to register under the 1940 Act because they do not publicly offer their securities and are restricted as to either the number of investors permitted to invest in the fund or as to the qualifications of persons eligible to invest in the fund. As with investments in other investment companies, if the Fund invests in a private investment company, it will be charged its proportionate share of the advisory fees, including incentive compensation and other operating expenses of such company. These fees, which can be substantial, would be in addition to the advisory fees and other operating expenses incurred by the Fund.

Private investment companies are not registered with the SEC and may not be registered with any other regulatory authority. Accordingly, they are not subject to certain regulatory requirements and oversight to which registered investment companies are subject. There may be very little public information available about their investments and performance. Moreover, because sales of shares of private investment companies are generally restricted to certain qualified purchasers, such shares may be illiquid and it could be difficult for the Fund to sell its shares at an advantageous price and time. Finally, because shares of private investment companies are not publicly traded, a fair value for the Fund's investment in these companies typically may have to be determined under policies approved by the Fund's Board of Directors ("Board").

Hedge Funds. A hedge fund is a private investment company that invests in a wide range of securities using a variety of investment strategies. The typical hedge fund has greater investment flexibility than traditional investment funds and may invest in stocks, bonds, currencies, commodities and their derivatives and take long, short, spread, option or other types of positions in any of these securities. As such, the Fund may be exposed to increased leverage risk. Unlike traditional asset managers, many hedge fund managers try to create value by taking positions without reference to trends in the capital markets. The Fund does not have the ability to direct or influence the management of the hedge funds in which it invests, so the returns on such investments will primarily depend on the performance of the hedge fund managers and could suffer substantial adverse effects by the unfavorable performance of such managers.

Offshore Investment Companies. Offshore investment companies are private funds or other pooled investment vehicles or accounts that are organized outside of the United States. Such investments may be subject to certain risks due to potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations, the application of complex U.S. and foreign tax rules to cross-border investments and imposition of foreign taxes on the Fund and/or investors. Further, the Fund has no control over the trading policies or strategies of offshore companies and does not have the ability to react quickly to changing investment circumstances due to their limited liquidity.

Specialty Finance Companies. Specialty finance companies provide capital or financing to businesses and consumers within specified market segments. Specialty finance companies may be subject to greater governmental regulation than many other industries, and changes in governmental policies and the need for regulatory approval may have a material effect on the services offered by these companies. Governmental regulation may limit both the financial commitments these companies can make, including the amounts and types of loans, and the interest rates and fees they can charge. In addition, governmental regulation in certain foreign countries may impose interest rate controls, credit controls, and price controls. Specialty finance companies are subject to the risks of rapid business changes, significant competition, value fluctuations due to the concentration of loans in particular industries that are particularly sensitive to changing economic conditions (such as equipment leasing and consumer finance), and volatile performance based upon the availability and cost of capital and prevailing interest rates. Credit and other losses resulting from the financial difficulties of borrowers or other third parties may have an adverse effect on specialty finance companies.

Initial Public Offerings. The Fund may purchase securities in initial public offerings ("IPOs"). These securities are subject to many of the same risks of investing in companies with smaller market capitalizations. Securities issued in IPOs have no trading history, and information about the companies may be available for limited periods. In addition, the prices of securities sold in IPOs may be volatile. At any particular time or from time to time the Fund may not be able to invest in securities issued in IPOs, or invest to the extent desired because, for example, only a small portion (if any) of the securities being offered in an IPO may be made available to the Fund. In addition, under certain market conditions a relatively small number of companies may issue securities in IPOs. The investment performance of the Fund during periods when it is unable to invest significantly or at all in IPOs may be lower than during periods when the Fund is able to do so. In addition, if the Fund increases in size, the impact of IPOs on the Fund's performance will generally decrease.

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Illiquid and Restricted Securities. The Fund may invest in illiquid and restricted securities without limit. Illiquid investments are investments that cannot be sold or disposed of in the ordinary course of business at approximately the prices at which they are valued. In the absence of market quotations, illiquid investments are priced at fair value as determined in good faith by a committee appointed by the Board. Illiquid securities may be difficult to dispose of at a fair price at the times when the Fund believes it is desirable to do so. The market price of illiquid securities generally is more volatile than that of more liquid securities, which may adversely affect the price that the Fund pays for or recovers upon the sale of illiquid securities. Illiquid securities are also more difficult to value and thus the Investment Manager's judgment plays a greater role in the valuation process. Investment of the Fund's assets in illiquid securities may restrict the Fund's ability to take advantage of market opportunities. The risks associated with illiquid securities may be particularly acute in situations in which the Fund's operations require cash and could result in the Fund borrowing to meet its short term needs or incurring losses on the sale of illiquid securities. Substantial illiquid positions held by the Fund could also adversely impact its ability to convert to open-end status.

Restricted securities generally can be sold in privately negotiated transactions, pursuant to an exemption from registration under the Securities Act of 1933, as amended ("1933 Act"), or in a registered public offering. Where registration is required, the Fund may be obligated to pay all or part of the registration expense and a considerable period may elapse between the time it decides to seek registration and the time it may be permitted to sell a security under an effective registration statement. If, during such a period, adverse market conditions were to develop, the Fund might obtain a less favorable price than prevailed when it decided to seek registration of the security.

A large institutional market exists for certain securities that are not registered under the 1933 Act, including private placements, repurchase agreements, commercial paper, foreign securities and corporate bonds and notes. These instruments are often restricted securities because the securities are either themselves exempt from registration or sold in transactions not requiring registration. Institutional investors generally will not seek to sell these instruments to the general public but instead will often depend on an efficient institutional market in which such unregistered securities can be readily resold or on an issuer's ability to honor a demand for repayment. Therefore, the fact that there are contractual or legal restrictions on resale to the general public or certain institutions is not dispositive of the liquidity of such investments. Rule 144A under the 1933 Act establishes a "safe harbor" from the registration requirements of the 1933 Act for resales of certain securities to qualified institutional buyers. An insufficient number of qualified institutional buyers interested in purchasing Rule 144A-eligible securities held by the Fund, however, could affect adversely the marketability of such securities and the Fund might be unable to dispose of such securities promptly or at reasonable prices.

Foreign Securities. Because the Fund may invest in foreign securities, either directly or through other issuers who invest in foreign securities, investment in the Fund may involve investment risks of adverse political and economic developments that are different from an investment in a fund that invests only in the securities of U.S. issuers. Such risks may include adverse movements in the market value of foreign securities during days on which the Fund's NAV per Share is not determined, the possible imposition of withholding taxes by foreign governments on dividend or interest income payable on the securities held in the Fund's portfolio, the possible seizure or nationalization of foreign deposits, the possible establishment of exchange controls and the adoption of other foreign governmental restrictions that might adversely affect the payment of dividends or principal and interest on securities in the Fund's portfolio.

Securities of many foreign issuers may be less liquid and their prices more volatile than those of comparable domestic issuers, and some foreign securities markets may trade a smaller number of securities or may be held by a relatively small number of persons or institutions. In addition, with respect to certain foreign countries, there is the possibility of expropriation, confiscatory taxation, and limitations on the use or removal of funds or other assets. Because certain foreign entities are not subject to uniform accounting, auditing, and financial reporting standards, practices and requirements comparable with those applicable to U.S. companies, there may be different types of, and lower quality, information available about a non-U.S. company than a U.S. company.

The costs associated with investment in foreign issuers, including withholding taxes, brokerage commissions, and custodial fees, are higher than those associated with investment in domestic issuers. Further, certain foreign markets may require payment for securities before delivery. Foreign securities transactions also may be subject to difficulties associated with the settlement of such transactions, including extended clearance and settlement periods. Delays in settlement could result in temporary periods when assets of the Fund are uninvested and no return is earned thereon. The inability of the Fund to make intended security purchases due to settlement problems could cause the Fund to miss attractive investment opportunities. Inability to dispose of a portfolio security due to settlement problems could result in losses to the Fund due to subsequent declines in value of the portfolio security or, if the Fund has entered into a contract to sell the security, could result in liability to the purchaser.

The Fund may invest in foreign securities by purchasing American Depository Receipts (“ADRs”), European Depository Receipts (“EDRs”), Global Depository Receipts (“GDRs”) and International Depository Receipts (“IDRs”). ADRs (sponsored or unsponsored) are receipts typically issued by a U.S. bank or trust company evidencing its ownership of the underlying foreign securities. Most ADRs are denominated in U.S. dollars and are traded on a U.S. stock exchange. However, they are subject to the risk of fluctuation in the currency exchange rate if, as is often the case, the underlying securities are denominated in foreign currency. Issuers of the securities underlying sponsored ADRs, but not unsponsored ADRs, are contractually obligated to disclose material information in the United States. Therefore, the market value of unsponsored ADRs are less likely to reflect the effect of such information. EDRs and IDRs are receipts typically issued by a European bank or trust company evidencing its ownership of the underlying foreign securities. GDRs are receipts issued by either a U.S. or non-U.S. banking institution evidencing its ownership of the underlying foreign securities and are often denominated in U.S. dollars.

Issuers of the securities underlying sponsored depositary receipts, but not unsponsored depositary receipts, are contractually obligated to disclose material information in the United States. Therefore, the market value of unsponsored depositary receipts is less likely to reflect the effect of such information.

The risks of investment in foreign securities are greater for investments in emerging markets. Many emerging market countries can experience substantial, and in some periods extremely high, rates of inflation. Inflation and rapid fluctuations in inflation rates have had, and may continue to have, very negative effects on the economies and securities markets of certain emerging markets. Economies in emerging markets generally are dependent upon international trade and, accordingly, have been and may continue to be affected adversely by economic conditions, trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade.

Because of the high levels of foreign denominated debt owed by many emerging market countries, fluctuating exchange rates can significantly affect the debt service obligations of those countries. This could, in turn, affect local interest rates, profit margins and exports that are a major source of foreign exchange earnings. Although it might be theoretically possible to hedge for anticipated income and gains, the ongoing and indeterminate nature of the foregoing risks (and the costs associated with hedging transactions) makes it virtually impossible to hedge effectively against such risks.

To the extent an emerging market country faces a liquidity crisis with respect to its foreign exchange reserves, it may increase restrictions on the outflow of any foreign exchange. Repatriation is ultimately dependent on the ability of the Fund to liquidate its investments and convert the local currency proceeds obtained from such liquidation into U.S. dollars. Where this conversion must be done through official channels (usually the central bank or certain authorized commercial banks), the ability to obtain U.S. dollars is dependent on the availability of such U.S. dollars through those channels and, if available, upon the willingness of those channels to allocate those U.S. dollars to the Fund. In such a case, the Fund’s ability to obtain U.S. dollars may be adversely affected by any increased restrictions imposed on the outflow of foreign exchange. If the Fund is unable to repatriate any amounts due to exchange controls, it may be required to accept an obligation payable at some future date by the central bank or other governmental entity of the jurisdiction involved. If such conversion can legally be done outside official channels, either directly or indirectly, the Fund’s ability to obtain U.S. dollars may not be affected as much by any increased restrictions except to the extent of the price that may be required to be paid for the U.S. dollars.

The securities markets of emerging markets are substantially smaller, less developed, less liquid and more volatile than the securities markets of the United States and other more developed countries. Disclosure and regulatory standards in many respects are less stringent than in the United States and other major markets. There also may be a lower level of monitoring and regulation of emerging markets and the activities of investors in such markets; enforcement of existing regulations has been extremely limited. Investing in the securities of companies in emerging markets may entail special risks relating to the potential political and economic instability and the risks of expropriation, nationalization, confiscation or the imposition of restrictions on foreign investment, convertibility of currencies into U.S. dollars and on repatriation of capital invested. In the event of such expropriation, nationalization or other confiscation by any country, the Fund could lose its entire investment in any such country.

Many emerging market countries have little experience with the corporate form of business organization and may not have well developed corporation and business laws, concepts of fiduciary duty in the business context, or anti-fraud and anti-insider trading legislation. As such, minority shareholders may have little protection if management takes action that has an adverse impact on the securities in which the Fund invests. Some emerging markets have different settlement and clearance procedures. In certain markets there have been times when settlements have been unable to keep pace with the volume of securities transactions, making it difficult to conduct such transactions. The risk also exists that an emergency situation may arise in one or more emerging markets as a result of which trading of securities may cease or may be curtailed and prices for the Fund's portfolio securities in such markets may not be readily available.

In addition to the risks discussed above, the Fund's investments in other issuers that invest in emerging markets securities, including ETFs, registered and unregistered investment companies, and hedge funds, may be subject to additional risks. Certain emerging market countries require government approval prior to investments by foreign persons in a particular issuer, limit the amount of investment by foreign persons in a particular issuer and may have less advantageous rights than the classes available for purchase by residents of the countries. These investments are also subject to risks due to the inexperience of financial intermediaries, the lack of modern technology in the foreign market, and the possibility of temporary or permanent termination of trading. Because the ETFs, registered and unregistered investment companies, and hedge funds in which the Fund may invest may not hedge against foreign currency risks, including the risk of changing currency exchange rates, the value of foreign currency denominated portfolio securities may be reduced irrespective of the underlying investment.

Canadian Income Trusts. Canadian income trusts commonly hold debt or equity securities in, or are entitled to receive royalties from, an underlying active business. The income trust structure is typically adopted by businesses that require a limited amount of capital in maintenance and that generate stable cash flows. The value of an income trust can rise or fall for the same reasons that affect equity securities or because of changes in interest rates.

An investment in units of a Canadian income trust is not the equivalent of owning shares in a corporation, as unitholders do not have the statutory rights normally associated with owning shares in a corporation. Investments in income trusts will have varying degrees of risk depending on the sector and the underlying assets. They will also be subject to general risks associated with business cycles, commodity prices, interest rates, and other economic factors. Typically, income trusts are more volatile than fixed-income securities and preferred shares. The value of income trust units may decline significantly if they are unable to meet distribution targets. To the extent that claims against an income trust are not satisfied by the trust, investors in the trust (including the Fund if it is an investor therein) could be held responsible for those claims. Certain, but not all, jurisdictions have enacted legislation to protect investors from some of this liability.

There is also a risk that the tax rules relating to income trusts may change in a way that is negative to their investors. Indeed, part of the attractiveness of Canadian income trusts to investors is that they have been treated as "mutual fund trusts" under Canadian law (and thus able to avoid Canadian income tax at the trust level). In October 2006, however, the Canadian Finance Minister announced plans to introduce a tax on Canadian income trusts, and that announcement resulted in a massive sell-off on Toronto markets of income trusts' (especially oil and gas trusts') shares. That proposal has not yet been enacted.

Master Limited Partnerships. Master limited partnerships ("MLPs") are limited partnerships (or similar entities) in which the ownership units (e.g., limited partnership interests) are publicly traded. MLP units are registered with the Securities and Exchange Commission ("SEC") and are freely traded on a securities exchange or in the over-the-counter ("OTC") market. Many MLPs operate in the oil and gas related businesses, including energy processing and distribution. Many MLPs are pass-through entities that generally are taxed at the unitholder level and are not subject to federal or state income tax at the entity level; annual income, gains, losses, and deductions of such an MLP pass through directly to its unitholders. Distributions from an MLP may consist in part of a return of capital. Generally, an MLP is operated under the supervision of one or more general partners and limited partners are not involved in the day-to-day management of the MLP.

Investing in MLPs involves certain risks related to investing in the underlying assets of the MLPs and risks associated with pooled investment vehicles. MLPs holding credit related investments are subject to interest rate risk and the risk of default on payment obligations by debt issuers. MLPs that concentrate in a particular industry or a particular geographic region are subject to risks associated with that industry or region. Investments held by MLPs may be relatively illiquid, limiting their ability to vary their portfolios promptly in response to changes in economic or other conditions. MLPs may have limited financial resources, their securities may trade infrequently and in limited volume, and they may be subject to more abrupt or erratic price movements than securities of larger or more broadly based companies.

The risks of investing in an MLP are generally those inherent in investing in a partnership as opposed to a corporation. For example, state law governing partnerships is often less restrictive than state law governing corporations. Accordingly, there may be fewer protections afforded investors in an MLP than investors in a corporation. Although unitholders of an MLP are generally limited in their liability, similar to a corporation’s shareholders, creditors typically have the right to seek the return of distributions made to unitholders if the liability in question arose before the distributions were paid. This liability may stay attached to the unitholder even after the units are sold.