

ALLSTATE CORP
Form 11-K
June 22, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 11-K

(Mark One):

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2009

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 1-11840

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

ALLSTATE 401(k) SAVINGS PLAN
(FORMERLY THE SAVINGS AND PROFIT SHARING FUND OF
ALLSTATE EMPLOYEES)

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

THE ALLSTATE CORPORATION

2775 SANDERS ROAD, SUITE E-5

NORTHBROOK, ILLINOIS 60062-6127

Allstate 401(k) Savings Plan

Financial Statements as of and for the
Years Ended December 31, 2009 and 2008,

Supplemental Schedule as of
December 31, 2009, and
Report of Independent Registered Public Accounting Firm

ALLSTATE 401(k) SAVINGS PLAN

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NOTE: All other supplemental schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Trustee and Participants of

Allstate 401(k) Savings Plan

Northbrook, Illinois

We have audited the accompanying statements of net assets available for benefits of the Allstate 401(k) Savings Plan (the Plan) as of December 31, 2009 and 2008, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2009 and 2008, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplementary information by fund in the statements of net assets available for benefits and the statements of changes in net assets available for benefits is presented for the purposes of additional analysis rather than to present the net assets available for benefits and changes in net assets available for benefits of the individual funds. The supplemental schedule and supplementary information by fund is the responsibility of the Plan's management. Such supplemental schedule and supplementary information by fund have been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

/s/ DELOITTE & TOUCHE LLP

Chicago, Illinois

June 7, 2010

ALLSTATE 401(k) SAVINGS PLAN**STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS****AS OF DECEMBER 31, 2009****(Dollars in thousands)**

	Supplementary Information			
	Participant- Directed Funds	Allstate Stock Fund	ESOP Company Shares Unallocated	Total
ASSETS				
Investments At fair value:				
The Allstate Corporation common stock	\$	\$ 545,460	\$ 166,489	\$ 711,949
Invesco Institutional (N.A.) Inc. Stable Value Fund	710,025			710,025
Funds managed by State Street Global Advisors (SSgA):				
SSgA Passive Bond Market Index Fund	268,962			268,962
SSgA Allstate Balanced Fund	451,994			451,994
SSgA S&P 500 Flagship Fund	589,252			589,252
SSgA Daily EAFE Index Fund	280,314			280,314
SSgA Russell 2000 Index Fund	274,088			274,088
Collective short-term investment fund		17,263	14	17,277
Participant notes receivable	94,538			94,538
Total investments	2,669,173	562,723	166,503	3,398,399
Receivables:				
Dividends and interest	2	3,215	1,109	4,326
Employer contributions		4,445		4,445
Participant contributions	4,169	509		4,678
Interfund		7,037		7,037
Total receivables	4,171	15,206	1,109	20,486
Other assets	851			851
Total assets	2,674,195	577,929	167,612	3,419,736
LIABILITIES				
ESOP loan (Notes 1 and 3)			22,467	22,467
Payables:				
Other	528	14,454		14,982
Interfund			7,037	7,037
Total liabilities	528	14,454	29,504	44,486
NET ASSETS AVAILABLE FOR BENEFITS AT FAIR VALUE	2,673,667	563,475	138,108	3,375,250
Adjustments from fair value to contract value for fully benefit- responsive investment contracts	(23,092)			(23,092)

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NET ASSETS AVAILABLE FOR BENEFITS	\$	2,650,575	\$	563,475	\$	138,108	\$	3,352,158
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See notes to financial statements.

ALLSTATE 401(k) SAVINGS PLAN**STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS****AS OF DECEMBER 31, 2008****(Dollars in thousands)**

	Supplementary Information			
	Participant- Directed Funds	Allstate Stock Fund	ESOP Company Shares Unallocated	Total
ASSETS				
Investments At fair value:				
The Allstate Corporation common stock	\$	\$ 551,132	\$ 189,372	\$ 740,504
Invesco Institutional (N.A.) Inc. Stable Value Fund	682,463			682,463
Funds managed by State Street Global Advisors (SSgA):				
SSgA Allstate Passive Bond Market Index Fund	256,227			256,227
SSgA Allstate Balanced Fund	405,239			405,239
SSgA S&P 500 Flagship Fund	458,528			458,528
SSgA Daily EAFE Index Fund	189,625			189,625
SSgA Russell 2000 Index Fund	208,820			208,820
Collective short-term investment fund		26,918	76	26,994
Participant notes receivable	93,765			93,765
Total investments	2,294,667	578,050	189,448	3,062,165
Receivables:				
Dividends and interest	19	6,655	2,375	9,049
Employer contributions		1,252		1,252
Other		3,047		3,047
Interfund		7,808		7,808
Total receivables	19	18,762	2,375	21,156
Other assets	603			603
Total assets	2,295,289	596,812	191,823	3,083,924
LIABILITIES				
ESOP loan (Notes 1 and 3)			22,467	22,467
Payables:				
Other	636	28,113		28,749
Interfund			7,808	7,808
Total liabilities	636	28,113	30,275	59,024
NET ASSETS AVAILABLE FOR BENEFITS AT FAIR VALUE	2,294,653	568,699	161,548	3,024,900
Adjustments from fair value to contract value for fully benefit- responsive investment contracts	17,204			17,204

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NET ASSETS AVAILABLE FOR BENEFITS	\$	2,311,857	\$	568,699	\$	161,548	\$	3,042,104
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See notes to financial statements.

ALLSTATE 401(k) SAVINGS PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED DECEMBER 31, 2009

(Dollars in thousands)

	Supplementary Information			
	Participant-Directed Funds	Allstate Stock Fund	ESOP Company Shares Unallocated	Total
ADDITIONS				
Net investment income (loss):				
Net appreciation (depreciation) in fair value of investments	\$ 313,801	\$ (44,917)	\$ (15,075)	\$ 253,809
Interest	31,358	19	13	31,390
Dividends		13,857	4,434	18,291
Net investment income (loss)	345,159	(31,041)	(10,628)	303,490
Contributions:				
Participants	153,663	17,830		171,493
Employer cash matched on participant contributions	26	58,020	5,250	63,296
Total contributions	153,689	75,850	5,250	234,789
Allocation of company shares shares matched on participant deposits at fair value		7,037	(7,037)	
Total additions (reductions)	498,848	51,846	(12,415)	538,279
DEDUCTIONS				
Benefits paid to participants	188,347	33,864		222,211
Interest expense			1,775	1,775
Administrative expense	3,701	538		4,239
Total deductions	192,048	34,402	1,775	228,225
NET INCREASE (DECREASE)	306,800	17,444	(14,190)	310,054
INTERFUND TRANSFERS	31,918	(22,668)	(9,250)	
NET ASSETS AVAILABLE FOR BENEFITS:				
Beginning of year	2,311,857	568,699	161,548	3,042,104
End of year	\$ 2,650,575	\$ 563,475	\$ 138,108	\$ 3,352,158

See notes to financial statements.

ALLSTATE 401(k) SAVINGS PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED DECEMBER 31, 2008

(Dollars in thousands)

	Supplementary Information			
	Participant-Directed Funds	Allstate Stock Fund	ESOP Company Shares Unallocated	Total
ADDITIONS				
Net investment loss:				
Net depreciation of investments	\$ (660,295)	\$ (292,319)	\$ (112,548)	\$ (1,065,162)
Interest	30,956	113	140	31,209
Dividends		26,263	9,480	35,743
Net investment loss	(629,339)	(265,943)	(102,928)	(998,210)
Contributions:				
Participants	160,432	17,629		178,061
Employer cash matched on participant contributions	77	24,070	5,250	29,397
Total contributions	160,509	41,699	5,250	207,458
Allocation of company shares shares matched on participant deposits at fair value		7,808	(7,808)	
Total reductions	(468,830)	(216,436)	(105,486)	(790,752)
DEDUCTIONS				
Benefits paid to participants	221,330	60,521		281,851
Interest expense			1,806	1,806
Administrative expense	3,754	719		4,473
Total deductions	225,084	61,240	1,806	288,130
NET DECREASE	(693,914)	(277,676)	(107,292)	(1,078,882)
INTERFUND TRANSFERS	70,885	(57,118)	(13,767)	
NET ASSETS AVAILABLE FOR BENEFITS:				
Beginning of year	2,934,886	903,493	282,607	4,120,986
End of year	\$ 2,311,857	\$ 568,699	\$ 161,548	\$ 3,042,104

See notes to financial statements.

ALLSTATE 401(k) SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

1. DESCRIPTION OF PLAN

The following description of the Allstate 401(k) Savings Plan (the *Plan*), sponsored by The Allstate Corporation (the *Company*) and formerly known as The Savings and Profit Sharing Fund of Allstate Employees, provides only general information. Participants should refer to the plan document for a more complete description of the *Plan*'s provisions.

General The *Plan* covers all full-time and regular part-time employees of subsidiaries of the *Company*, with the exception of those employed by the *Company*'s international subsidiaries, Kennett Capital, Inc., and Sterling Collision Centers, Inc. Employees must be at least 18 years of age to participate.

The *Plan* is a defined contribution plan consisting of a profit sharing and stock bonus plan containing a cash or deferred arrangement which is intended to meet the requirements of Sections 401(a) and 401(k) of the Internal Revenue Code of 1986 (the *Code*). The stock bonus portion of the *Plan* includes a leveraged and a nonleveraged employee stock ownership plan (*ESOP*) which is intended to meet the requirements of Section 409 and Section 4975(e)(7) of the *Code*. The *Plan* is subject to the provisions of the Employee Retirement Income Security Act of 1974 (*ERISA*).

Administration The *Plan* is administered by the Administrative Committee. Investment transactions are authorized by the *Plan*'s Investment Committee. Members of the Administrative and Investment Committees are appointed by the Profit Sharing Committee. Members of the Profit Sharing Committee are appointed by the Compensation and Succession Committee of the Board of Directors of the *Company*.

Trustee of the Plan The Northern Trust Company holds *Plan* assets as trustee under the Allstate 401(k) Savings *Plan* Trust.

Contributions Each year, employees may contribute up to 50% of eligible annual compensation through a combination of pre-tax and after-tax contributions, subject to Internal Revenue Code limitations. Participants age 50 or older have the option to make additional pre-tax contributions (*Catch-Up* contributions). Employees may also roll over pre-tax amounts representing distributions from other qualified defined benefit or defined contribution plans. In the first quarter of 2009, the *Company* match was revised and is now based on a two-tiered formula. In 2009 and going forward, the *Company* contributes a match of 50% of the first 3% and 25% of the next 2% of eligible compensation that a participant contributes on a pre-tax basis to the *Plan*, and at its discretion, up to an additional 50% of the first 3% and 25% of the next 2% of eligible compensation. The variable portion of the *Company* match is now tied to improvement in the *Company*'s position on the Customer Loyalty Index, rather than to operating earnings per share. All employer contributions are invested in the Allstate Stock Fund. However, participants can transfer all or part of their *Company* contributions to any investment option within the *Plan* at any time. Eligible participants received the maximum *Company* match for the year ended December 31, 2009. The *Company*'s matching contribution was 50% of the first 5% of eligible compensation for the year ended December 31, 2008.

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Participant Accounts Individual accounts are maintained for each Plan participant. Each participant's account is credited with the participant's contribution, allocations of the Company's contribution and investment earnings and losses, and is charged with an allocation of administrative expenses. Accounts may increase by rollovers and decrease by rollovers and withdrawals. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Vesting Participants hired prior to March 1, 2009 are immediately vested in their contributions and the Company's contributions plus earnings thereon. Employees hired on or after March 1, 2009 will fully vest in the Company's contributions after three years of employment.

Investment Options Upon enrollment in the Plan, a participant may direct employee contributions to any or all of the current seven investment options listed below. Participants may change their investment elections at any time.

Allstate Stock Fund (The Allstate Corporation common stock) Funds are invested in Company common stock with a portion of the fund invested in short-term securities to provide liquidity to process transactions.

Stable Value Fund (Invesco Institutional (N.A.) Inc. Stable Value Fund) The fund, managed by Invesco Institutional (N.A.), Inc. (Invesco), a registered investment advisor, is a separately managed portfolio that consists of: (i) investment contracts issued by a diversified group of insurance companies, banks, and other institutions; and (ii) shares of common collective trusts that are comprised of publicly and privately issued fixed, floating, and variable rate obligations of select entities.

Bond Fund (SSgA Passive Bond Market Index Fund) The fund, managed by State Street Global Advisors (SSgA), a registered investment company, invests in both the Passive Bond Market Index Securities Lending Series Fund Class A and the Passive Bond Market Index Non-Lending Series Fund Class A, which are collective funds that invest in the broad domestic bond market and also in U.S. government and agency, corporate, mortgage-backed, and asset-backed debt securities.

Balanced Fund (SSgA Allstate Balanced Fund) The fund, managed by SSgA, has approximately one half of its assets in the S&P 500 Flagship Securities Lending Series Fund Class A and the S&P 500 Flagship Non-Lending Series Fund Class A, and approximately one half of its assets in the Passive Bond Market Index Securities Lending Series Fund Class A and the Passive Bond Market Index Non-Lending Series Fund Class A, which are collective funds that invest in a diversified portfolio of stocks and debt securities.

S&P 500 Fund (SSgA S&P 500 Flagship Fund) The fund, managed by SSgA, invests in both the S&P 500 Flagship Securities Lending Series Fund Class A and the S&P 500 Flagship Non-Lending Series Fund Class A, which are collective funds that invest in a diversified portfolio of stocks of large, established companies.

International Equity Fund (SSgA Daily EAFE Index Fund) The fund, managed by SSgA, invests in both the Daily EAFE Index Securities Lending Series Fund Class T and the Daily EAFE Index Non-Lending Series Fund Class A, which are collective funds that invest in a diversified portfolio of stocks in developed markets within Europe, Australia, and the Far East (EAFE).

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Russell 2000 Fund (SSgA Russell 2000 Index Fund) The fund, managed by SSgA, invests in both the Russell 2000 Index Securities Lending Series Fund Class A and the Russell 2000 Index Non-Lending Series Fund Class A, which are collective funds that invest in a diversified portfolio of stocks that represents the smallest two-thirds of the 3,000 largest U.S. companies.

Effective July 2009 for the funds managed by SSgA, with the exception of the Balanced Fund, a transition from securities lending funds to comparable SSgA non-lending funds began. The Balanced Fund transition began November 2009.

Risks and Uncertainties The Plan utilizes various types of investments, including institutional index funds, a stable value fund and common stock. These investments are subject to market risk, the risk that losses will be incurred due to adverse changes in creditworthiness, equity prices and interest rates. It is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Participant Notes Receivable Participants may borrow from their account balance. The loan amount must be at least \$1,000 up to a maximum equal to the lesser of: (i) 50% of their account value, (ii) 100% of their pre-tax, after-tax, and rollover account balances, or (iii) \$50,000. Loan transactions are treated as a proportional transfer from/to the investment funds and to/from the loan fund. Loan terms range from 6 to 48 months for a general-purpose loan and 49 to 180 months for a primary residence loan. Loans are secured by the participant's account balance and bear interest at the prime rate in effect as of the last day of the previous calendar quarter prior to the issuance of the loan and fixed for the duration of the loan. Principal and interest are paid by participants ratably through payroll deductions.

Employee Stock Ownership Plan The Company has a leveraged ESOP. The ESOP loan bears interest at 7.9%.

The borrowing is to be repaid through the year 2019 or earlier, if the Company elects to make additional contributions for principal prepayments on the ESOP Loan. As the Plan makes each payment of principal and interest, a proportional percentage of unallocated shares are allocated to eligible employees' accounts in accordance with applicable regulations under the Code. The Company has made principal prepayments to fund Company contributions.

ESOP shares not yet allocated to participants are held in a suspense account, and none of these shares serve as collateral. ESOP shares allocated to participants and other Company shares that were acquired with participant contributions are included in the Allstate Stock Fund and the lender has no rights against these shares.

Payment of Benefits Upon termination of service, a participant is entitled to a complete withdrawal of his or her vested account balance. Partial withdrawals are also permitted under the Plan subject to restrictions.

2. SUMMARY OF ACCOUNTING POLICIES

Basis of Accounting The Plan's financial statements are prepared under the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Investment Valuation and Income Recognition Plan investments are stated at fair value. Shares of institutional index funds are valued at prices that represent the net asset value of shares held by the Plan at year-end and the fair value of the underlying investments. Common stock held in the Allstate Stock Fund is valued at market price. The Stable Value Fund is stated at fair value and then adjusted to contract value as the investment contracts are fully benefit-responsive. Participant notes receivable are valued at amortized cost, which approximates fair value.

The Statements of Net Assets Available for Benefits present investment contracts at fair value, with an additional line item showing adjustments of the fully benefit-responsive contracts from fair value to contract value. The Statements of Changes in Net Assets Available for Benefits is presented on a contract value basis.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis except for interest on participant notes, which is recorded when received. The difference between cash and accrual basis for interest on participant notes is not material. Dividends are recorded on the ex-dividend date.

Benefits Paid to Participants and Participant Notes Receivable Benefits paid to participants and participant notes receivable loans are recorded upon distribution. Amounts allocated to accounts of persons who have elected to withdraw from the Plan, but have not yet been paid were immaterial at December 31, 2009 and 2008, and are included in Other assets on the Statements of Net Assets Available for Benefits.

Adopted Accounting Standard In April 2009, the FASB issued new accounting guidance relating to fair value measurements to provide additional guidance for estimating fair value when the volume and level of activity for an asset or liability have significantly decreased. Guidance on identifying circumstances that indicate a transaction is not orderly is also provided. If it is concluded that there has been a significant decrease in the volume and level of market activity for an asset or liability in relation to normal market activity, transactions or quoted prices may not be determinative of fair value, and further analysis of transactions or quoted prices may be necessary. Determination of whether the transaction is orderly is based on the weight of the evidence.

The disclosure requirements are expanded to include the inputs and valuation technique(s) used to measure fair value and a discussion of changes in valuation techniques and related inputs during the reporting period.

Disclosures of assets and liabilities measured at fair value are to be presented by major security types. Disclosures are not required for earlier periods presented for comparative purposes. Revisions resulting from a change in valuation technique or its application shall be accounted for as a change in accounting estimate and disclosed, along with the total effect of the change in valuation technique and related inputs, if practicable, by major category. The Plan adopted the provisions of the new guidance as of April 1, 2009. The adoption had no effect on the Plan's results of operations or financial position.

Pending Accounting Standard In January 2010, the FASB issued new accounting guidance which expands disclosure requirements relating to fair value measurements. The guidance adds requirements for disclosing amounts of and reasons for significant transfers into and out of Levels 1 and 2 and requires gross rather than net disclosures about purchases, sales, issuances and settlements relating to Level 3 measurements. The guidance also provides clarification that fair value measurement disclosures are required for each class of assets and liabilities. Disclosures about the valuation techniques and inputs used to measure fair value for measurements that fall in either Level 2 or Level 3 are also required. The new disclosures and clarifications of existing disclosures are effective for annual periods beginning after December 15, 2009, except for disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements, which are required for

fiscal years beginning after December 15, 2010. Disclosures are not required for earlier periods presented for comparative purposes. The new guidance affects disclosures only and therefore its adoption will have no impact on the Plan's results of operations or financial position.

3. ESOP LOAN

The ESOP Loan agreement provides for the loan to be repaid through the year 2019 at an annual interest rate of 7.9%. There are no principal payments required on the loan during the next five years.

The following table presents additional information, at December 31, 2009 and 2008, for the Plan's investment in The Allstate Corporation common stock held in the Allstate Stock Fund and the ESOP Company Shares Unallocated:

(\$ in thousands)	2009		2008	
	Allstate Stock Fund	ESOP Company Shares Unallocated	Allstate Stock Fund	ESOP Company Shares Unallocated
Number of shares	18,157,789	5,542,258	16,823,333	5,780,600
Cost	\$ 439,675	\$ 39,489	\$ 378,200	\$ 41,188
Fair value	\$ 545,460	\$ 166,489	\$ 551,132	\$ 189,372

The estimated fair value of the ESOP loan as of December 31, 2009 and 2008 was \$25.0 million and \$23.3 million, respectively, determined using discounted cash flow calculations based on current interest rates for instruments with comparable terms and considering the Plan's own credit risk.

4. PLAN TERMINATION

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA.

5. TAX STATUS

The Internal Revenue Service has determined and informed the Company by a letter, dated June 25, 2008, that the Plan and related trust were designed in accordance with applicable sections of the Code. The plan document has been amended and restated since receiving the determination letter. The Plan's management believes that the Plan is currently designed and is being operated in compliance with the applicable requirements of the Code. Therefore, no provision for income taxes has been included in the Plan's financial statements.

6. INVESTMENTS

The Plan's investments which exceeded 5% of net assets available for benefits as of December 31, 2009 and 2008, were as follows:

(\$ in thousands)	2009	2008
Allstate Stock Fund (The Allstate Corporation common stock) *	\$ 545,460	\$ 551,132
ESOP Company Shares Unallocated	166,489	189,372
Bond Fund (SSgA Passive Bond Market Index Fund)	268,962	256,227
Balanced Fund (SSgA Allstate Balanced Fund)	451,994	405,239
S&P 500 Fund (SSgA S&P 500 Flagship Fund)	589,252	458,528
International Equity Fund (SSgA Daily EAFE Index Fund)	280,314	189,625
Russell 2000 Fund (SSgA Russell 2000 Index Fund)	274,088	208,820

* Company contributions are made directly to the Allstate Stock Fund;

Participants may redirect funds immediately.

During 2009 and 2008, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated (depreciated) in value as follows:

(\$ in thousands)	2009	2008
Allstate Stock Fund (The Allstate Corporation common stock)	\$ (44,917)	\$ (292,319)
ESOP Company Shares Unallocated	(15,075)	(112,548)
Bond Fund (SSgA Passive Bond Market Index Fund)	15,187	11,804
Balanced Fund (SSgA Allstate Balanced Fund)	63,342	(94,019)
S&P 500 Fund (SSgA S&P 500 Flagship Fund)	120,367	(289,165)
International Equity Fund (SSgA Daily EAFE Index Fund)	59,790	(172,366)
Russell 2000 Fund (SSgA Russell 2000 Index Fund)	55,115	(116,549)
Total net appreciation (depreciation) in fair value of investments	\$ 253,809	\$ (1,065,162)

The Stable Value Fund holdings include investment contracts called synthetic guaranteed investment contracts (GICs) comprised of investments in the common collective trusts plus a wrapper contract. The wrapper contract is issued by a financial institution, and the contract guarantees to provide a specific interest rate to be credited to the contract plus provide for participant liquidity at contract value in certain situations.

The Stable Value Fund's wrapper contracts are benefit-responsive and are thus eligible for contract-value reporting. Funds may be withdrawn pro-rata from all the Stable Value Fund's investment contracts at contract value determined by the respective issuing companies to pay benefits and to make participant-directed transfers to other investment options pursuant to the terms of the Plan after the amounts in the Stable Value Fund's Short-Term Investment Fund reserve are depleted.

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The wrapper contracts wrap underlying assets which are held in the trust and owned by the Stable Value Fund. The underlying assets comprised of common collective trusts which may include a variety of high quality fixed income investments selected by the fund manager consistent with the Stable Value Fund's investment guidelines. High quality, as defined by the Stable Value Fund's investment guidelines, means the average credit quality of all of the investments backing the Stable Value Fund contracts is AA/Aa or better as measured by Standard & Poor's or Moody's credit rating services. The investments in the common collective trusts are used to generate the investment returns that are utilized to provide for interest rates credited through the wrapper contracts.

The wrapper contracts are benefit-responsive wrapper contracts in that they provide that participants may execute transactions from the Stable Value Fund according to Plan provisions at contract value. Contract value represents contributions made to the Stable Value Fund, plus earnings, less participant withdrawals. The interest rates in wrapper contracts are reset monthly, based on market rates of other similar investments, the current yield of the underlying investments, the spread between the market value and contract value of the investments held by the contract, and the financial duration of the contract investments. The crediting rate cannot be reset to a level less than 0%. Certain events, such as plan termination, or a plan merger initiated by the plan sponsor, or changes to Plan provisions not approved by the issuers of the Stable Value Fund's wrapper contracts, may limit the ability of the Stable Value Fund to transact at contract value or may allow for the termination of the wrapper contracts at less than contract value. Plan Management does not believe that any events that may limit the ability of the Stable Value Fund to transact at contract value are probable.

Changes in market interest rates affect the yield to maturity and the market value of the investments in the common collective trusts, and thus can have a material impact on the interest crediting rate. In addition, participant withdrawals and transfers from the Stable Value Fund are paid at contract value but funded through the market value liquidation of the investments in the common collective trusts, which also may affect future interest crediting rates. If market interest rates rise and fair values of investments in the common collective trusts fall, the fair value may be less than the corresponding contract value. This shortfall in fair value will be reflected in future crediting rates by amortizing the effect into the future through an adjustment to interest crediting rates of the wrapper contracts. Similarly, if market interest rates fall and fair values of investments in the common collective trusts rise, the fair values of investments held by the wrapper contract may be greater than the corresponding contract value. This excess in fair value will also be reflected in future crediting rates through an amortization process similar to that when there is a fair value shortfall.

	2009	2008
Average yields:		
Based on annualized earnings (1)	3.099%	7.033%
Based on interest rate credited to participants (2)	4.176%	4.176%

(1) Computed by dividing the annualized one-day actual earnings of the investments on the last day of the plan year by the fair value of the investments on the same date.

(2) Computed by dividing the annualized one-day earnings credited to participants on the last day of the plan year by the fair value of the investments on the same date.

For purposes of calculating the interest crediting rate, fair value is equal to the market value of the investments in the common collective trusts. The crediting interest rates ranged from 3.83% to 5.24% at December 31, 2009 and 3.21% to 4.92% at December 31, 2008.

There are no reserves against contract value credit risk of the contract issuer or otherwise. The crediting interest rate is based on current market yields, adjusted upward/downward to amortize differences between book and market values of the underlying investments. All contracts have a minimum crediting rate of 0%. The crediting interest rates are reset monthly. The average yield is a weighted average of assets held on the last day of the year. The average yield based on book value at December 31, 2009, was 4.43%. The average yield based on book value at December 31, 2008, was 4.23%.

Plan investments include collective investment trusts managed by SSgA (SSgA Investment Funds) which are authorized, by the terms of the applicable trusts, to participate in securities lending activities through the State Street Global Securities Lending Program. The collateral for the

loans made by the collective investment trusts is invested in a collective investment trust known as the Quality Trust for

SSgA Fund (SSgA Collateral Fund). The value of the underlying investments in the SSgA Collateral Fund, which invests the collateral received from borrowers in these activities, is included in the fair value of the SSgA Investment Funds at a \$1.00 price per unit. This value of the underlying investments in the SSgA Investment Funds determines the price at which participants' accounts are transacted.

SSgA has implemented certain withdrawal limits on SSgA Investment Funds for Fund level or Plan sponsor directed full or partial redemptions from the SSgA Investment Funds. Fund level or Plan sponsor directed redemptions above these thresholds may result in proceeds in both cash and units of the SSgA Collateral Fund. The limitations currently do not apply to redemptions based on participant directed activity.

The table below presents the SSgA Investment Funds authorized to invest in the SSgA Collateral Fund and the per unit value of those SSgA Investment Funds reflecting their investment in SSgA Collateral Fund at a \$1.00 per unit fair value, as reported in the Plan Statement of Net Assets Available for Benefits, and the per unit fair value reflecting the December 31, 2009 fair value of the investments held by the SSgA Collateral Funds.

(\$ in thousands)	Per Unit Fair Value at \$1.00 price per unit for investment in SSgA Collateral Fund as reported	Per Unit Fair Value reflecting fair value of investments in underlying SSgA Collateral Fund	Difference in determination of Fair Value	Fair Value of SSgA Investment Funds as reported
SSgA Investment Funds				
SSgA Passive Bond Market Index Securities Lending Fund Series A	\$ 20.65	\$ 20.52	\$ 1,135	\$ 180,217
SSgA Allstate Balanced Securities Lending Fund	18.44	18.40	980	451,994
SSgA S&P 500 Flagship Securities Lending Fund Series A	226.71	226.40	544	397,754
SSgA Daily EAFE Index Securities Lending Fund Series T	17.75	17.72	296	175,317
SSgA Russell 2000 Index Securities Lending Fund Series A	21.43	21.24	1,610	181,647
Total			\$ 4,565	\$ 1,386,929

Investment management fees, recordkeeping fees, and trustee fees along with other administrative expenses charged to the Plan for investments in each of the Plan's investment options are deducted from income earned on a daily basis and are not separately reflected. Consequently, fees and expenses are reflected as a reduction of investment return for such investments.

7. FAIR VALUE OF ASSETS AND LIABILITIES

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Plan principally uses the market approach which generally utilizes market transaction data for the same or similar instruments. To a lesser extent, the Plan uses the income approach which involves determining fair values from discounted cash flow methodologies and the cost approach which is based on replacement costs.

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The hierarchy for inputs used in determining fair value maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. Assets and liabilities recorded on the Statement of Net Assets Available for Benefits at fair value are categorized in the fair value hierarchy based on the observability of inputs to the valuation techniques as follows:

Level 1: Assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Plan can access.

Level 2: Assets and liabilities whose values are based on the following:

- (1) Quoted prices for similar assets or liabilities in active markets;
- (2) Quoted prices for identical or similar assets or liabilities in markets that are not active; or
- (3) Valuation models whose inputs are observable, directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Unobservable inputs reflect the Plan's estimates of the assumptions that market participants would use in valuing the assets and liabilities.

The availability of observable inputs varies by instrument. In situations where fair value is based on internally developed pricing models or inputs that are unobservable in the market, the determination of fair value requires more judgment. The degree of judgment exercised by the Plan in determining fair value is typically greatest for instruments categorized in Level 3. In many instances, valuation inputs used to measure fair value fall into different levels of the fair value hierarchy. The category level in the fair value hierarchy is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Plan uses prices and inputs that are current as of the measurement date, including during periods of market disruption. In periods of market disruption, the ability to observe prices and inputs may be reduced for many instruments. This condition could cause an instrument to be reclassified from Level 1 to Level 2, or from Level 2 to Level 3.

Summary of Significant Valuation Techniques for Assets and Liabilities on a Recurring Basis

Level 1 Measurements

The Allstate Corporation Common Stock: The Company's common stock is actively traded in the New York Stock Exchange and is valued based on unadjusted quoted prices.

Level 2 Measurements

SSgA Passive Bond Market Fund, SSgA Allstate Balanced Fund, SSgA S&P 500 Flagship Fund, SSgA Daily EAFE Index Fund, SSgA Russell 2000 Index Fund: Comprise funds that have daily quoted net asset values for identical assets that the Plan can access that are traded in markets that are not active. The net asset values are primarily derived based on the fair values of the underlying investments in the fund some of which are not actively traded.

Collective Short-Term Investment Fund: Comprise funds that have daily quoted net asset values for identical assets that the Plan can access that are traded in markets that are not active. The net asset values are derived based on the fair values of the underlying investments in the fund some of which

are not actively traded. A portion of the Collective Short-Term Investment Fund is deemed part of the Stable Value Fund.

Invesco Institutional (N.A.) Inc. Stable Value Fund Common Collective Trusts: A component of the Stable Value Fund which comprise funds that have daily quoted net asset values for identical assets that the Plan can access and are traded in markets that are not active. The net asset values are derived based on the fair values of the underlying investments in the fund some of which are not actively traded.

Participant Note Receivable: Amortized cost used as an estimate of fair value.

Level 3 Measurements

Invesco Institutional (N.A.) Inc. Stable Value Fund Wrappers:

The Fund obtains valuations on the basis of prices provided by a pricing service approved by the Board of Trustees. All other investment assets, including restricted and not readily marketable securities, are valued in good faith at fair value under procedures established by and under the general supervision and responsibility of the Fund's Board of Trustees.

In addition, whenever developments in one or more securities markets after the close of the principal markets for one or more portfolio securities and before the time as of which the Fund determines its net asset value would, if such developments had been reflected in such principal markets, likely have more than a minimal effect on the Fund's net asset value per share, the Fund may fair value such portfolio securities based on available market information as of the time the Fund determines its net asset value.

NYSE Amex Closings. The holidays (as observed) on which the NYSE Amex is closed, and therefore days upon which shareholders cannot purchase or sell shares, currently are: New Year's Day, Martin Luther King, Jr. Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day and on the preceding Friday or subsequent Monday when a holiday falls on a Saturday or Sunday, respectively.

TAXATION

The following discussion is a brief summary of certain U.S. federal income tax considerations affecting the Fund and the purchase, ownership and disposition of the Fund's shares. A more complete discussion of the tax rules applicable to the Fund and its shareholders can be found in the SAI that is incorporated by reference into this prospectus. This discussion assumes you are a U.S. person and that you hold your shares as capital assets. This discussion is based upon current provisions of the Code, the regulations promulgated thereunder and judicial and administrative authorities, all of which are subject to change or differing interpretations by the courts or the Internal Revenue Service (the "IRS"), possibly with retroactive effect. No ruling has been or will be sought from the IRS regarding any matter discussed herein. Counsel to the Fund has not rendered and will not render any legal opinion regarding any tax consequences relating to the Fund or an investment in the Fund. No attempt is made to present a detailed explanation of all U.S. federal tax concerns affecting the Fund and its shareholders (including shareholders owning large positions in the Fund).

The discussion set forth herein does not constitute tax advice and potential investors are urged to consult their own tax advisers to determine the tax consequences to them of investing in the Fund.

Taxation of the Fund

The Fund has elected to be treated and has qualified, and intends to continue to qualify annually, as a regulated investment company under Subchapter M of the Code. Accordingly, the Fund must, among other things, meet the following requirements regarding the source of its income and the diversification of its assets:

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(i) The Fund must derive in each taxable year at least 90% of its gross income from the following sources, which are referred to herein as Qualifying Income : (a) dividends, interest (including tax-exempt interest), payments with respect to certain securities loans, and gains from the sale or other disposition of stock, securities or foreign currencies, or other income (including but not limited to gain

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from options, futures and forward contracts) derived with respect to its business of investing in such stock, securities or foreign currencies; and (b) interests in publicly traded partnerships that are treated as partnerships for U.S. federal income tax purposes and that derive less than 90% of their gross income from the items described in (a) above (each a Qualified Publicly Traded Partnership).

(ii) The Fund must diversify its holdings so that, at the end of each quarter of each taxable year (a) at least 50% of the market value of the Fund's total assets is represented by cash and cash items, U.S. government securities, the securities of other regulated investment companies and other securities, with such other securities limited, in respect of any one issuer, to an amount not greater than 5% of the value of the Fund's total assets and not more than 10% of the outstanding voting securities of such issuer and (b) not more than 25% of the market value of the Fund's total assets is invested in the securities (other than U.S. government securities and the securities of other regulated investment companies) of (I) any one issuer, (II) any two or more issuers that the Fund controls and that are determined to be engaged in the same business or similar or related trades or businesses or (III) any one or more Qualified Publicly Traded Partnerships.

Income from the Fund's investments in grantor trusts and equity interest of MLPs that are not Qualified Publicly Traded Partnerships (if any) will be Qualifying Income to the extent it is attributable to items of income of such trust or MLP that would be Qualifying Income if earned directly by the Fund.

The Fund's investments in partnerships, including in Qualified Publicly Traded Partnerships, may result in the Fund being subject to state, local or foreign income, franchise or withholding tax liabilities.

As a regulated investment company, the Fund generally will not be subject to U.S. federal income tax on income and gains that the Fund distributes to its shareholders, provided that it distributes each taxable year at least the sum of (i) 90% of the Fund's investment company taxable income (which includes, among other items, dividends, interest and the excess of any net short-term capital gain over net long-term capital loss and other taxable income, other than any net long-term capital gain, reduced by deductible expenses) determined without regard to the deduction for dividends paid and (ii) 90% of the Fund's net tax-exempt interest income (the excess of its gross tax-exempt interest over certain disallowed deductions). The Fund intends to distribute substantially all of such income at least annually. The Fund will be subject to income tax at regular corporate rates on any taxable income or gains that it does not distribute to its shareholders.

The Code imposes a 4% nondeductible excise tax on the Fund to the extent the Fund does not distribute by the end of any calendar year an amount at least equal to the sum of (i) 98% of its ordinary income (not taking into account any capital gain or loss) for the calendar year and (ii) 98% of its capital gain in excess of its capital loss (adjusted for certain ordinary losses) for a one-year period generally ending on October 31 of the calendar year (unless an election is made to use the Fund's fiscal year). In addition, the minimum amounts that must be distributed in any year to avoid the excise tax will be increased or decreased to reflect any under-distribution or over-distribution, as the case may be, from the previous year. While the Fund intends to distribute any income and capital gain in the manner necessary to minimize imposition of the 4% excise tax, there can be no assurance that sufficient amounts of the Fund's taxable income and capital gain will be distributed to entirely avoid the imposition of the excise tax. In that event, the Fund will be liable for the excise tax only on the amount by which it does not meet the foregoing distribution requirement.

If for any taxable year the Fund does not qualify as a regulated investment company, all of its taxable income (including its net capital gain) will be subject to tax at regular corporate rates without any deduction for distributions to shareholders.

Taxation of Shareholders

Distributions paid to you by the Fund from its net realized long-term capital gains, if any, that the Fund designates as capital gains dividends (capital gain dividends) are taxable as long-term capital gains, regardless of how long you have held your common shares. All other dividends paid to you by the Fund

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(including dividends from short-term capital gains) from its current or accumulated earnings and profits (ordinary income dividends) are generally subject to tax as ordinary income.

Special rules apply, however, to ordinary income dividends paid to individuals with respect to taxable years beginning on or before December 31, 2010. If you are an individual, any such ordinary income dividend that you receive from the Fund generally will be eligible for taxation at the Federal rates applicable to long-term capital gains (currently at a maximum rate of 15%) to the extent that (i) the ordinary income dividend is attributable to qualified dividend income (i.e., generally dividends paid by U.S. corporations and certain foreign corporations) received by the Fund, (ii) the Fund satisfies certain holding period and other requirements with respect to the stock on which such qualified dividend income was paid and (iii) you satisfy certain holding period and other requirements with respect to your common shares. There can be no assurance as to what portion of the Fund s ordinary income dividends will constitute qualified dividend income.

Any distributions you receive that are in excess of the Fund s current or accumulated earnings and profits will be treated as a tax-free return of capital to the extent of your adjusted tax basis in your common shares, and thereafter as capital gain from the sale of common shares. The amount of any Fund distribution that is treated as a tax-free return of capital will reduce your adjusted tax basis in your common shares, thereby increasing your potential gain or reducing your potential loss on any subsequent sale or other disposition of your common shares.

Dividends and other taxable distributions are taxable to you even though they are reinvested in additional common shares of the Fund. Dividends and other distributions paid by the Fund are generally treated under the Code as received by you at the time the dividend or distribution is made. If, however, the Fund pays you a dividend in January that was declared in the previous October, November or December and you were the shareholder of record on a specified date in one of such months, then such dividend will be treated for tax purposes as being paid by the Fund and received by you on December 31 of the year in which the dividend was declared.

The Fund will send you information after the end of each year setting forth the amount and tax status of any distributions paid to you by the Fund.

The sale or other disposition of common shares of the Fund will generally result in capital gain or loss to you, and will be long-term capital gain or loss if you have held such common shares for more than one year at the time of sale. Any loss upon the sale or exchange of common shares held for six months or less will be treated as long-term capital loss to the extent of any capital gain dividends received (including amounts credited as an undistributed capital gain dividend) by you with respect to such common shares. Any loss you realize on a sale or exchange of common shares will be disallowed if you acquire other common shares (whether through the automatic reinvestment of dividends or otherwise) within a 61-day period beginning 30 days before and ending 30 days after your sale or exchange of the common shares. In such case, your tax basis in the common shares acquired will be adjusted to reflect the disallowed loss.

The Fund may be required to withhold, for U.S. federal backup withholding tax purposes, a portion of the dividends, distributions and redemption proceeds payable to shareholders who fail to provide the Fund (or its agent) with their correct taxpayer identification number (in the case of individuals, generally, their social security number) or to make required certifications, or who have been notified by the IRS that they are subject to backup withholding. Certain shareholders are exempt from backup withholding. Backup withholding is not an additional tax and any amount withheld may be refunded or credited against your U.S. federal income tax liability, if any, provided that you furnish the required information to the IRS.

CUSTODIAN, TRANSFER AGENT AND DIVIDEND DISBURSING AGENT

Mellon, located at 135 Santilli Highway, Everett, Massachusetts 02149, serves as the Custodian of the Fund's assets pursuant to a custody agreement. Under the custody agreement, the Custodian holds the Fund's assets in compliance with the 1940 Act. For its services, the Custodian will receive a monthly fee paid by the

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Fund based upon, among other things, the average value of the total assets of the Fund, plus certain charges for securities transactions and out-of-pocket expenses.

American Stock Transfer, located at 59 Maiden Lane, New York, New York 10038, serves as the Fund's dividend disbursing agent, as agent under the Fund's Plan and as transfer agent and registrar for the common shares of the Fund.

PLAN OF DISTRIBUTION

We may sell the shares, being offered hereby in one or more of the following ways from time to time:

- to underwriters or dealers for resale to the public or to institutional investors;
- directly to institutional investors;
- directly to a limited number of purchasers or to a single purchaser;
- through agents to the public or to institutional investors; or
- through a combination of any of these methods of sale.

The prospectus supplement with respect to each series of securities will state the terms of the offering of the securities, including:

- the offering terms, including the name or names of any underwriters, dealers or agents;
- the purchase price of the securities and the net proceeds to be received by us from the sale;
- any underwriting discounts or agency fees and other items constituting underwriters' or agents' compensation, which compensation for any sale will in no event exceed 8% of the sales price;
- any initial public offering price;
- any discounts or concessions allowed or reallocated or paid to dealers; and
- any securities exchange on which the securities may be listed.

If we use underwriters or dealers in the sale, the securities will be acquired by the underwriters or dealers for their own account and may be resold from time to time in one or more transactions, including:

- negotiated transactions;
- at a fixed public offering price or prices, which may be changed;
- at market prices prevailing at the time of sale;
- at prices related to prevailing market prices; or
- at negotiated prices.

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

If underwriters are used in the sale of any securities, the securities may be either offered to the public through underwriting syndicates represented by managing underwriters, or directly by underwriters. Generally, the underwriters' obligations to purchase the securities will be subject to certain conditions precedent. The underwriters will be obligated to purchase all of the securities if they purchase any of the securities.

If indicated in an applicable prospectus supplement, we may sell the securities through agents from time to time. The applicable prospectus supplement will name any agent involved in the offer or sale of the securities and any commissions we pay to them. Commissions for any sale will in no event exceed 8% of the sales price. Generally, any agent will be acting on a best efforts basis for the period of its appointment. We may authorize underwriters, dealers or agents to solicit offers by certain purchasers to purchase the securities

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from us at the public offering price set forth in the applicable prospectus supplement pursuant to delayed delivery contracts providing for payment and delivery on a specified date in the future. The delayed delivery contracts will be subject only to those conditions set forth in the applicable prospectus supplement, and the applicable prospectus supplement will set forth any commissions we pay for solicitation of these delayed delivery contracts.

Offered securities may also be offered and sold, if so indicated in the applicable prospectus supplement, in connection with a remarketing upon their purchase, in accordance with a redemption or repayment pursuant to their terms, or otherwise, by one or more remarketing firms, acting as principals for their own accounts or as agents for us. Any remarketing firm will be identified and the terms of its agreements, if any, with us and its compensation will be described in the applicable prospectus supplement.

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

Each series of securities will be a new issue of securities and will have no established trading market other than our common shares and Preferred Shares, which are listed on the NYSE Amex. Any common shares sold will be listed on NYSE Amex, upon official notice of issuance. The securities, other than the common shares, may or may not be listed on a national securities exchange. Any underwriters to whom securities are sold by us for public offering and sale may make a market in the securities, but such underwriters will not be obligated to do so and may discontinue any market making at any time without notice.

LEGAL MATTERS

Certain legal matters will be passed on by Skadden, Arps, Slate, Meagher & Flom LLP, counsel to the Fund in connection with the offering of the Fund's shares.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

PricewaterhouseCoopers LLP serves as the independent registered public accounting firm of the Fund and audits the financial statements of the Fund. PricewaterhouseCoopers LLP is located at 300 Madison Avenue, New York, New York 10017.

ADDITIONAL INFORMATION

The Fund is subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and the 1940 Act, and in accordance therewith files reports and other information with the SEC. Reports, proxy statements and other information filed by the Fund with the SEC pursuant to the informational requirements of such Acts can be inspected and copied at the public reference facilities maintained by the SEC, 100 F Street, N.E., Washington, D.C. 20549. The SEC maintains a web site at <http://www.sec.gov> containing reports, proxy and information statements and other information regarding registrants, including the Fund, that file electronically with the SEC.

The common shares are listed on the NYSE Amex under the symbol GGN. The Preferred Shares are listed on the NYSE Amex under the symbol GGN PrA. Reports, proxy statements and other information concerning the Fund and filed with the SEC by the Fund will be available for inspection at the NYSE Amex, 11 Wall Street, New York, New York, 10005.

This prospectus constitutes part of a Registration Statement filed by the Fund with the SEC under the Securities Act of 1933 and the 1940 Act. This prospectus omits certain of the information contained in the

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Registration Statement, and reference is hereby made to the Registration Statement and related exhibits for further information with respect to the Fund and the common shares offered hereby. Any statements contained herein concerning the provisions of any document are not necessarily complete, and, in each instance, reference is made to the copy of such document filed as an exhibit to the Registration Statement or otherwise filed with the SEC. Each such statement is qualified in its entirety by such reference. The complete Registration Statement may be obtained from the SEC upon payment of the fee prescribed by its rules and regulations or free of charge through the SEC's web site (<http://www.sec.gov>).

PRIVACY PRINCIPLES OF THE FUND

The Fund is committed to maintaining the privacy of its shareholders and to safeguarding their non-public personal information. The following information is provided to help you understand what personal information the Fund collects, how the Fund protects that information and why, in certain cases, the Fund may share information with select other parties.

Generally, the Fund does not receive any non-public personal information relating to its shareholders, although certain non-public personal information of its shareholders may become available to the Fund. The Fund does not disclose any non-public personal information about its shareholders or former shareholders to anyone, except as permitted by law or as is necessary in order to service shareholder accounts (for example, to a transfer agent or third party administrator).

The Fund restricts access to non-public personal information about its shareholders to employees of the Fund, the Investment Adviser, and its affiliates with a legitimate business need for the information. The Fund maintains physical, electronic and procedural safeguards designed to protect the non-public personal information of its shareholders.

Table of Contents**TABLE OF CONTENTS OF STATEMENT OF ADDITIONAL INFORMATION**

An SAI dated as of April 8, 2010, has been filed with the SEC and is incorporated by reference in this prospectus. An SAI may be obtained without charge by writing to the Fund at its address at One Corporate Center, Rye, New York 10580-1422 or by calling the Fund toll-free at (800) GABELLI (422-3554). The Table of Contents of the SAI is as follows:

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No person has been authorized to give any information or to make any representations in connection with this offering other than those contained in this Prospectus in connection with the offer contained herein, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Fund, the Investment Adviser or the underwriters. Neither the delivery of this Prospectus nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the Fund since the date hereof or that the information contained herein is correct as of any time subsequent to its date. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the securities to which it relates. This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy such securities in any circumstance in which such an offer or solicitation is unlawful.

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\$350,000,000

**Common Shares of Beneficial Interest
Preferred Shares of Beneficial Interest**

PROSPECTUS

April 8, 2010

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Up to 3,500,000 Common Shares of Beneficial Interest

PROSPECTUS SUPPLEMENT

May 7, 2010