

ABERDEEN EMERGING MARKETS EQUITY INCOME FUND, INC.

Form 40-17G

June 22, 2018

Aberdeen Asset Management Inc.

1735 Market Street, 32nd Floor

Philadelphia, PA 19103

June 21, 2018

FILED VIA EDGAR

U.S. Securities and Exchange Commission

100 F Street, NE

Washington, D.C. 20549

Re: Fidelity Bond Concerning Aberdeen Emerging Markets Equity Income Fund, Inc. (the Fund) - 1940 Act Registration No. 811-05770

Dear Sir/Madam:

Pursuant to Rule 17g-1 under the Investment Company Act of 1940, as amended (1940 Act), enclosed for filing on behalf of the Fund please find: (i) a copy of the Fund's Financial Institutions Bond, Policy Number B080141931P18 (the Bond); and (ii) a copy of the resolutions approved by the Board of Directors on April 27, 2018, which authorize the purchase of the Bond in a form and in an amount which is consistent with Rule 17g-1(d) under the 1940 Act.

Premiums have been paid for the period from April 30, 2018 to April 30, 2019. The bond is written for a \$1,500,000 limit of liability.

Feel free to contact me should you have any questions at (215) 405-2438.

Best regards,

/s/ Megan Kennedy

Megan Kennedy

Secretary and Vice President of the Fund

Crime Policy

2018 Form

In the name of Aberdeen Emerging Markets Equity Income Fund, Inc.

Willis Limited,

51 Lime Street,

London, EC3M 7DQ,

United Kingdom.

AEF - Crime Policy for 2018

NOTICE

This document has been prepared by Willis Limited in its capacity as the broker who placed this contract. Willis Limited is not an insurer or reinsurer of this contract.

The **First Named Insured** is requested to read this policy carefully and, if it is incorrect, to contact Willis Limited, whose address appears immediately below:

Willis Limited,
FINEX Global,
51 Lime Street,
London, EC3M 7DQ,
United Kingdom.

It is requested that in all communications, the policy number appearing in the Declaration(s) is quoted.

CRIME POLICY

DECLARATIONS

- Policy Number: B080141931P18
- Item 1. **Named Insured:** Aberdeen Emerging Markets Equity Income Fund, Inc.
Principal Address: 1735 Market Street,
32nd Floor
Philadelphia, PA 19103,
USA.
- Item 2. **Policy Period:** From: 30 April 2018 To: 30 April 2019
both days at 12:01 a.m. local time at the Principal Address stated in Item 1 above.
- Item 3. **Limit of Liability:** USD 1,500,000 in the aggregate.
- Item 4. **Single Loss Limit:** USD 1,500,000 each **Single Loss** reducing to:
- 4.1 USD 100,000 each **Single Loss** under Insuring Agreement 1.8 (Stop Payment Order Liability);
- 4.2 USD 100,000 each **Single Loss** under Insuring Agreement 1.9 (Uncollectable Items of Deposit); and
- 4.3 USD 100,000 each **Single Loss** under Insuring Agreement 1.10 (Audit Expense); and
- 4.4 USD 100,000 each **Single Loss** under Insuring Agreement 1.11 (Unauthorized Signatures); and
- 4.5 USD 100,000 each **Single Loss** in respect of the cover provided by sub-clause (e) of the definition of **Computer or Telephonic Fraud**.
- Item 5. **Sub-Limits:** The following sub-limit applies to the stated cover.
Insuring Agreement 1.13 (Fraudulent Retention of Funds or Property):
1,000,000 in the aggregate
The amount shown above shall be a part of, and not in addition to, the **Limit of Liability**.
- Item 6. **Single Loss Deductible:** USD 0, increasing to:
- 6.1 USD 5,000 each **Single Loss** under Insuring Agreement 1.8 (Stop Payment Order Liability);

6.2 USD 5,000 each **Single Loss** under Insuring Agreement 1.9 (Uncollectable Items of Deposit); and

6.3 USD 5,000 each **Single Loss** under Insuring Agreement 1.10 (Audit Expense); and

6.4 USD 5,000 each **Single Loss** under Insuring Agreement 1.11 (Unauthorized Signatures).

Item 7.	Premium:	Included in the premium set forth in the Declarations for Section A.
Item 8.	Amount of Fund Assets:	USD 916,094,643
Item 9.	Responsible Person:	The Named Insured s Chief Compliance Officer (or designated alternate).
Item 10.	Prior Policy:	None

CRIME POLICY

The **Insurer** hereby undertake and agree, in consideration of the payment, or promise to pay, to the premium specified in the Declarations to indemnify the **Insured** for **Loss Discovered** during the **Policy Period** or the **Extended Reporting Period** (if applicable), up to an amount not exceeding the **Limit of Liability**, to the extent and in the manner provided in this policy.

1. INSURING AGREEMENTS

1.1 Fidelity

Loss resulting from dishonest or fraudulent acts or **Theft** committed by an **Employee** acting alone or in collusion with others.

However, with regards to **Loans** and **Trading**, such dishonest or fraudulent acts or **Theft** must be committed by the **Employee** with the intent to obtain financial benefit for:

- (a) the **Employee**; or
- (b) any person or organization in collusion with such **Employee**; or
- (c) any other person or organization (who were not a counterparty) intended by such **Employee** to make an improper financial benefit.

As used in this Insuring Agreement, financial benefit does not include any employee benefits earned in the normal course of employment including: salaries, commissions, fees, bonuses, promotions, awards, profit sharing or pensions other than bonuses, commissions or profit sharing paid to an **Employee** for a specific transaction with which such **Employee** was involved and in respect of which that **Employee** had committed a dishonest or fraudulent act covered under this policy.

1.2 On Premises

(a) **Loss** resulting from the physical loss of, destruction of, damage to, or mysterious unexplainable disappearance of **Property** while such **Property** is lodged or deposited within offices or premises located anywhere.

(b) **Loss** resulting from the loss of or damage to:

(i) furnishings, fixtures, supplies or equipment within an office of the **Insured** covered under this policy resulting directly from larceny or theft in or by burglary or robbery of such office, or attempt thereat, or by vandalism or malicious mischief; or

(ii) such office resulting from larceny or theft in, or by burglary or robbery of such office or attempt thereat, or to the interior of such office by vandalism or malicious mischief,

provided that:

1) the **Insured** is the owner of such furnishings fixtures, supplies, equipment, or office or is liable for such loss or damage; and

2) the loss is not caused by fire.

1.3 **In Transit**

Loss resulting from the physical loss of, destruction of, damage to, or mysterious unexplainable disappearance of **Property** while such **Property** is in transit anywhere in the custody of:

(a) a natural person acting as a messenger of the **Insured** (or another natural person acting as messenger or custodian during an emergency arising from the incapacity of the original messenger); or

(b) a **Transportation Company** and being transported in an armoured motor vehicle; or

(c) a **Transportation Company** and being transported in a conveyance other than an armoured motor vehicle, provided that covered **Property** transported in such manner is limited to the following:

(i) records, whether recorded in writing or electronically; and

(ii) **Certificated Securities** issued in registered form and not endorsed, or with restrictive endorsements; and

(iii) **Negotiable Instruments** not payable to bearer or not endorsed or with restrictive endorsements.

Special Condition

Coverage under this Insuring Agreement begins immediately upon the receipt of such **Property** by the natural person or **Transportation Company** and ends immediately upon delivery to the designated recipient or its agent.

1.4 **Forgery or Alteration**

Loss resulting from:

(a) **Forgery** or alteration of, on or in any **Negotiable Instrument** (except an **Evidence of Debt**), **Acceptance, Withdrawal Order**, receipt for the withdrawal of funds or **Property, Certificate of Deposit** or **Letter of Credit**;

(b) transferring, paying, redeeming or delivering funds or **Property** or establishing any credit or giving any value on the faith of any written or printed instructions, advices, requests or applications directed to the **Insured** or any **Financial Organization** acting on behalf of the **Insured**, which instructions, advices, requests or applications purport to have been signed or endorsed by:

(i) any customer or client of the **Insured**;

(ii) any shareholder of or subscriber to shares issued by any **Fund**; or

(iii) any financial institution,

but which instructions, advices, requests or applications either bear a signature which is a **Forgery** or have been altered without the knowledge and consent of such customer, client, shareholder, subscriber or financial institution;

(c) any **Financial Organization** transferring, paying, redeeming or delivering funds or **Property** or establishing any credit or giving any value on the faith of any written or printed instructions, advices requests or applications which instructions, advices, requests or applications purport to have been signed by or on behalf of the **Insured** but which instructions, advices, requests or applications either bear a signature which is a **Forgery** or have been fraudulently altered.

Special Condition

A mechanically reproduced facsimile signature is treated the same as a handwritten signature.

1.5 **Securities**

Loss resulting from the **Insured**, or any **Financial Organization** acting on behalf of the **Insured**, having in good faith for its own account or for the account of others:

(a) acquired, sold or delivered, or given value, extended credit or assumed liability on the faith of any original:

(i) **Certificated Security**;

(ii) deed, mortgage or other instrument conveying title to or creating or discharging a lien upon real property;

(iii) **Evidence of Debt;**

(iv) **Instruction; or**

(v) **Statement of Uncertificated Security,**

which

(1) bears a signature of any maker, drawer, issuer, endorser, assignor, lessee, transfer agent, registrar, acceptor, surety, guarantor, or of any person signing in any other capacity which is a forgery; or

(2) is altered; or

(3) is lost or stolen:

(b) guaranteed in writing or witnessed any signature upon any transfer, assignment, bill of sale, power of attorney, **Guarantee** or any items listed in (i) through (v) above;

(c) acquired, sold or delivered, or given value, extended credit or assumed liability on the faith of any item listed in (i) through (v) above which is counterfeit.

A mechanically reproduced facsimile signature is treated the same as a handwritten signature.

1.6 **Counterfeit Currency**

Loss resulting from the receipt or acceptance by the **Insured**, in good faith, of:

(a) any money orders which prove to be **Counterfeit** or to contain an alteration; or

(b) any **Counterfeit Money** of any country.

1.7 **Computer or Telephonic Fraud and Malicious Code**

Loss resulting from:

(a) **Computer or Telephonic Fraud**; and/or

(b) the modification or deletion of any **Electronic Data** or **Computer Program** due to any **Malicious Code**.

Special Condition

It is agreed that:

1) those **Electronic Communications** which are transmitted through touch tone telephone communication systems or by telex, TWX or telefacsimile; and

2) all **Telephonic Communications**,

must be **Tested**.

1.8 **Stop Payment Order Liability**

Loss resulting from any and all sums which the **Insured** shall become obligated to pay by reason of liability imposed upon the **Insured** by law for damages:

(a) for having either complied with or failed to comply with any written notice of any customer or client of the **Insured**, any shareholder of or subscriber to shares issued by any **Fund** or any authorized representative of such customer, client, shareholder or subscriber to stop payment of any check or draft made or drawn by such customer, client, shareholder or subscriber or any authorized representative of such customer, client, shareholder or subscriber; or

(b) for having refused to pay any check or draft made or drawn by any customer or client of the **Insured**, any shareholder of or subscriber to shares issued by any **Fund** or any authorized representative of such customer, client, shareholder or subscriber.

1.9 **Uncollectable Items of Deposit**

Loss resulting from:

(a) payments of dividends or fund shares, or withdrawals permitted from an account of a customer or client of the **Insured** or any shareholder of or subscriber to shares issued by any **Fund** based upon uncollectible items of deposit of a customer, client, shareholder or subscriber credited by the **Insured** or the **Insured**'s agent to the Mutual Fund Account of such customer, client, shareholder or subscriber; or

(b) any item of deposit processed through an automated clearing house which is reversed by a customer or client of the **Insured** or a shareholder of or subscriber to shares issued by any **Fund** and deemed uncollectible by the **Insured**.

Loss includes dividends and interest accrued not to exceed fifteen per cent (15%) of the uncollectible items which are deposited.

This Insuring Agreement applies to all Mutual Funds with exchange privileges if all Fund(s) in the exchange program are **Insured** by a National Union Fire Insurance Company of Pittsburgh, PA for uncollectible items of deposit. Regardless of the number of transactions between Fund(s), the minimum number of days of deposit within the Fund(s) before withdrawal as declared in the Fund(s) prospectus shall begin from the date a deposit was first credited to any **Insured** Fund(s).

1.10 **Audit Expense**

Loss resulting from expense incurred by the **Insured** for that part of audits or examinations required by any governmental regulatory authority or **Self-Regulatory Organization** to be conducted by such governmental regulatory authority or **Self-Regulatory Organization** or by an independent accountant or other person, by reason of the discovery of **Loss** sustained by the **Insured** and covered by this policy.

1.11 **Unauthorized Signatures**

Loss resulting from the **Insured** having accepted, paid or cashed any check or withdrawal order made or drawn on an account of a customer or client of the **Insured** or any shareholder of or subscriber to shares issued by any **Fund** which

bears the signature or endorsement of one other than a person whose name and signature is on file with the **Insured** as a signatory on such account.

Special Condition

The **Insured** shall have on file signature of all persons who are signatories on such account.

1.12 **Larceny and Embezzlement**

Loss and costs directly arising from larceny and embezzlement, covering each officer and employee of the **Insured**, who may singly, or jointly with others, have access to securities or funds of the **Insured**, either directly or through authority to draw upon such funds or to direct generally the disposition of such securities.

1.13 **Fraudulent Retention of Funds or Property**

Loss resulting from the **Fraudulent Retention** by a third party recipient of any funds or **Property**, as a direct result of:

(a) the misdirection or erroneous transfer of such funds or **Property** by the **Insured** or by a **Financial Organization** acting upon instructions from the **Insured**, to a third party recipient account other than that actually intended; or

(b) the transfer of such funds or **Property** by the **Insured** or by a **Financial Organization** acting upon instructions from the **Insured**, to a third party recipient account in an amount greater than that actually intended.

Special Condition

The **Insured** shall make reasonable efforts to secure the recovery of such funds or **Property**.

Sub-Limit of Liability

The **Insurer's** maximum aggregate limit of liability under this Insuring Agreement shall be sub-limited to the amount stated under Item 5 of the Declarations.

1.14 **Extortion**

Loss resulting from the loss of **Property** surrendered away from an office of the **Insured** or the transfer of funds as a result of a threat communicated to the **Insured**:

(a) to do bodily harm to a director, officer, trustee or **Employee** of the **Insured**, or a relative or an invitee of such director, officer, trustee, **Employee**, who is, or allegedly is, being held captive or under threat;

(b) to damage the premises, property (including **Property**) or other assets of the **Insured** or for which the **Insured** are legally liable;

(c) to delete or modify the **Insured**'s **Computer Programs** or the **Insured**'s **Electronic Data**;

(d) to sell or disclose confidential information to another person or party by reason of having gained unauthorised access to the **Insured**'s **Computer System**;

(e) to cause the **Insured** to transfer, pay or deliver any funds or property (including **Property**) by means of a **Computer System** used or operated by the **Insured**,

provided, however, that prior to the surrender of such **Property** or transfer of funds:

(i) the person receiving the threat has made a reasonable effort to report the extortionist's threat to a director of the **Insured**;

(ii) a reasonable effort has been made to report the extortionist's threat to local law enforcement authorities; and

(iii) in relation to sub-clause (c), (d) or (e) above, the aforementioned director is satisfied that the person making the threat is both capable of carrying it out and reasonably likely to do so and that the threatened action is technologically feasible.

1.15 **Fraudulently Induced Instructions (Social Engineering Fraud)**

Loss resulting from a **Fraudulently Induced Instruction**.

Special Condition

The **Insured** must have in place written policies and procedures to authenticate an electronic, telegraphic, cable, teletype, telefacsimile, telephone or written instruction authorising the transfer, payment or delivery of funds or property (including **Property**) and the **Insured** must be able to demonstrate, in normal circumstances, such written policies and procedures are followed.

Special Exclusion

This Insuring Clause does not cover **Loss** which is covered by any other Insuring Clause within this policy.

2. **EXTENSIONS**

2.1 **Interpretation**

This policy shall be interpreted with due regard to the purpose of fidelity bonding under Rule 17g-1 of the Investment Company Act of 1940 (i.e., to protect innocent third parties from harm) and to the structure of the investment management industry (in which a loss of **Property** resulting from a cause described in any Insuring Agreement ordinarily gives rise to a potential legal liability on the part of the **Insured**), such that the definition of **Loss** herein shall include an **Insured**'s legal liability for direct compensatory damages resulting directly from a misappropriation, or measurable diminution in value, of **Property**.

2.2 **Difference in Conditions**

If the **Insurer** is not liable for **Loss** under this policy, but cover for the same **Loss** would (but for the time at which such **Loss** was **Discovered**) have been available to any **Insured** based upon the terms, conditions and exclusions of the **Prior Policy**, then this policy shall provide cover in accordance with the terms, conditions and exclusions of the **Prior Policy**.

If the amount of any sub-limit or any single loss limit under the **Prior Policy** for any **Loss** is greater than any sub-limit or any single loss limit provided by this policy for the same **Loss**, then the sub-limit or any single loss limit under this policy for such **Loss** shall be increased to the same amount as that provided under the **Prior Policy**.

The Declarations shall be deemed to be amended accordingly in accordance with this provision with respect to the relevant **Loss**.

In no way shall this extension serve to increase the **Limit of Liability**, and all sub-limits and single loss limits payable under this policy shall be part of, and not in addition to, the **Limit of Liability**.

3. **GENERAL CONDITIONS**

3.1 **Nominees**

Loss sustained by any nominee organized by the **Insured** for the purpose of handling certain of its business transactions and composed exclusively of its **Employees** shall, for all the purposes of this policy and whether or not any partner of such nominee is implicated in such **Loss**, be deemed to be **Loss** sustained by the **Insured**.

3.2 **Additional Exposures**

(a) Additional Offices

Except as provided in sub-clause (b) below, this **policy** shall apply to any additional office(s) established by the **Insured** during the **Policy Period** and to all **Employees** during the **Policy Period**, without the need to give notice thereof or pay additional premiums to the **Insurer** for the **Policy Period**.

(b) Merger or Consolidation

If during the **Policy Period**, an **Insured** shall merge or consolidate with an institution in which such **Insured** is the surviving entity, or purchase substantially all the assets or capital stock of another institution, or acquires or creates a separate investment portfolio, and shall within sixty (60) days notify the **Insurer** thereof, then this policy shall automatically apply to the **Property** and **Employees** resulting from such merger, consolidation, acquisition or creation from the date thereof; provided, that the **Insurer** may make such coverage contingent upon the payment of an additional premium.

(c) Acquisition or Creation of Funds

(i) If during the **Policy Period**, an **Insured** creates or acquires a fund, other than by reason of the events described in sub-clause (b) above; and if the total consolidated assets of such fund are less than or equal to the amount set forth in Item 8 of the Declarations then, subject to all the other provisions of this policy, coverage shall automatically apply to any **Loss** sustained by that fund.

(ii) If during the **Policy Period**, an **Insured** creates or acquires a fund, other than by reason of the events described in sub-clause (b) above; and if the total consolidated assets of such fund are greater than the amount set forth in Item 8 of the Declarations, no coverage shall apply to any **Loss** sustained by that fund unless the **Insured** provides the **Insurer** with full particulars of such acquisition or creation, agrees to any additional premium and/or amendment of the provisions of this policy the **Insurer** requires and pays any premium required.

(iii) There shall be no coverage for:

1) any **Loss** sustained by any such fund resulting from an act committed or an event occurring prior to the consummation of a transaction described in (i) or (ii) above; or

2) any **Loss** sustained by any such fund resulting from an act whenever committed or an event whenever occurring, which together with an act committed or an event occurring prior to the consummation of such transaction, would constitute a **Single Loss**.

In no event shall any transaction among **Insureds** constitute an acquisition or creation of funds.

(d) Fund Name Changes

If during the **Policy Period**, a fund changes its legal name in accordance with the organizational documents of such fund and, if applicable, in accordance with state law, and such name change does not occur in connection with a transaction described in sub-clauses (b) or (c) above, then such fund shall automatically qualify as an insured fund under its new name, in addition to its prior name.

3.3 **Representation of Insured**

The **Insured** represents that the information furnished in the **Application** is complete, true and correct, to the best of the knowledge of the person who completed such **Application**.

Any misrepresentation, omission, concealment or incorrect statement of a material fact, in the **Application** or otherwise, which was deliberately made with the intent to deceive, shall be grounds for the rescission of this policy.

3.4 **Joint Insured**

If two or more **Insureds** are covered under this policy, the **First Named Insured** shall act for all **Insureds**. Payment by the **Insurer** to the **First Named Insured** of **Loss** sustained by any **Insured** shall fully release the **Insurer** on account of such **Loss**. If the **First Named Insured** ceases to be covered under this policy, the remaining **Named Insured** shall agree with the **Insurer** as to which one of them shall act on behalf of the all of the remaining **Insureds** (including but not limited to the receipt of any **Loss** payments). The liability of the **Insurer** for **Loss** which the **Insurer** would have been liable had all such **Loss** or **Losses** been sustained by one **Insured** will not exceed the **Limit of Liability**.

3.5 **Legal Proceedings Against the Insured**

The **Insurer** will indemnify the **Insured** against court costs and reasonable legal costs, charges, fees, disbursements and expenses incurred and paid by the **Insured** in defense of any **Legal Proceeding**.

The **Insureds**, and not the **Insurer**, have the duty to defend any **Legal Proceeding**. The **Insurer** shall be entitled to effectively associate with the **Insured** in the defense and the negotiation of any settlement of such **Legal Proceeding** if it that appears reasonable likely that such **Legal Proceeding** will involve the **Insurer** making payment under this policy. The **Insured** shall provide all reasonable information and assistance required by the **Insurer** in connection with such **Legal Proceeding**.

4. EXCLUSIONS

This policy does not cover:

4.1 **Loss** resulting directly or indirectly from forgery or alteration, except when covered under Insuring Agreement 1.1, 1.4, 1.5 or 1.7.

4.2 **Loss** due to military, naval or usurped power, war or insurrection unless such **Loss** occurs in transit in the circumstances recited in Insuring Agreement 1.3, and unless, when such transit was initiated there was no knowledge of such riot, civil commotion, military, naval or usurped power, war or insurrection on the part of any person acting for the **Insured** in initiating such transit.

4.3 **Loss** resulting directly or indirectly from the effects of nuclear fission or fusion or radioactivity.

This exclusion shall not apply to **Loss** resulting from industrial uses of nuclear energy.

4.4 **Loss** resulting directly or indirectly from any director or trustee of the **Insured** (other than one employed as a salaried, pensioned or elected official or an **Employee** of the **Insured**), except:

(a) when performing acts coming within the scope of the usual duties of an **Employee**; or

(b) while acting as a member of any committee duly elected or appointed by resolution of the board of directors or trustees of the **Insured** to perform specific, as distinguished from general, directorial acts on behalf of the **Insured**.

4.5 **Loss** resulting directly or indirectly from the complete or partial non-payment of, or default upon, any loan or transaction involving the **Insured** as a lender or borrower, or extension of credit, including the purchase, discounting or other acquisition of false or genuine accounts, invoices, notes, agreements or **Evidences of Debt**, whether such loan, transaction or extension was procured in good faith or through trick, artifice, fraud or false pretences; except when covered under Insuring Agreements 1.1, 1.4, 1.5 or 1.7.

4.6 **Loss** resulting from any violation by the **Insured** or by any **Employee**:

(a) of any law regulating:

(i) the issuance, purchase or sale of securities;

(ii) securities transactions upon security exchanges or over the counter market;

(iii) investment companies; or

(b) of any rule or regulation made pursuant to any such law, unless it is established by the **Insured** that the act or acts which caused the said loss involved fraudulent or dishonest conduct which would have caused a loss to the **Insured** in a similar amount in the absence of such laws, rules or regulations,

unless such loss, in the absence of such law, rule or regulation, would be covered under Insuring Agreement 1.1, 1.4 or 1.5.

4.7 **Loss** resulting directly or indirectly from the failure of a financial or depository institution, or its receiver or liquidator, to pay or deliver, on demand of the **Insured**, funds or **Property** of the **Insured** held by it in any capacity, except when covered under Insuring Agreements 1.1, 1.2 or 1.7.

4.8 **Loss** caused by an **Employee**, except when covered under Insuring Agreement 1.1 or when covered under Insuring Agreement 1.2 or 1.3 and resulting directly from misplacement, mysterious unexplainable disappearance or destruction of or damage to the **Property**.

4.9 **Loss** resulting directly or indirectly from transactions in an account of a customer or client of the **Insured** or any shareholder of or subscriber to shares issued by any **Fund**, whether authorized or unauthorized, except the unlawful withdrawal and conversion of **Money**, securities or precious metals, directly from an account of a customer or client of the **Insured** or any shareholder of or subscriber to shares issued by any **Fund** by an **Employee** provided such unlawful withdrawal and conversion is covered under Insuring Agreement 1.1 or unless covered by Insuring Agreement 1.7.

4.10 damages resulting from any civil, criminal or other legal proceeding in which the **Insured** is alleged to have engaged in racketeering activity except when the **Insured** establishes that the act or acts giving rise to such damages were committed by an **Employee** under circumstances which result directly in a loss to the **Insured** covered by Insuring Agreement 1.1. For the purposes of this exclusion racketeering activity is defined in 18 United States Code 1961 et seq., as amended.

4.11 **Loss** through the surrender of property away from an office of the **Insured** as a result of a threat:

(a) to do bodily harm to any person, except loss of property in transit in the custody of any person acting as messenger provided that when such transit was initiated there was no knowledge by the **Insured** of any such threat;
or

(b) to do damage in the premises of property of the **Insured**,

except when covered under Insuring Agreement 1.1, 1.7 or 1.14.

4.12 **Loss** resulting directly or indirectly from payments made or withdrawals from an account of a customer or client of the **Insured** or any shareholder of or subscriber to shares issued by any **Fund** involving erroneous credits to such account, unless such payments or withdrawals are physically received by such customer, client, shareholder or subscriber or a representative of such customer, client, shareholder or subscriber who is within the office of the **Insured** at the time of such payment or withdrawal, or except when covered under Insuring Agreement 1.1 or 1.7.

4.13 **Loss** involving items of deposit, which are not finally paid for any reason, including but not limited to **Forgery** or any other fraud, except when covered under Insuring Agreement 1.1, 1.7 or 1.9.

4.14 **Loss** resulting directly or indirectly from counterfeiting, except when covered under Insuring Agreements 1.1, 1.5, 1.6 or 1.7.

4.15 loss of any tangible item of personal property which is not specifically enumerated in the definition of **Property** if such property is specifically covered by other insurance of any kind and in any amount obtained by the **Insured**.

- 4.16 loss of property while:
- (a) in the mail; or
- (b) in the custody of any **Transportation Company**, unless covered under Insuring Agreement 1.3.
- 4.17 loss of potential income, including but not limited to interest and dividends, not received by the **Insured** because of a loss covered under this policy, except when covered under Insuring Agreement 1.9.
- 4.18 damages of any type for which the **Insured** is legally liable, except compensatory damages, but not multiples thereof, arising directly from a **Loss** covered under this policy.
- 4.19 all costs, charges, fees, disbursements and expenses incurred by the **Insured**:
- (a) in establishing the existence of or amount of **Loss** covered under this policy, other than **Preparation Costs** or except to the extent covered under Insuring Agreement 1.10; or
- (b) as a party to any legal proceeding whether or not such legal proceeding exposes the **Insured** to **Loss** covered by this policy, except to the extent covered under General Condition 3.5 (Legal Proceedings Against the Insured).
- 4.20 indirect or consequential loss of any nature, other than **Preparation Costs** or **Verification and Reconstitution Costs** or except to the extent covered under Insuring Agreement 1.10.
- 4.21 loss resulting directly or indirectly from any dishonest or fraudulent act or acts committed by any non-employee of the **Insured** who is a securities, commodities, money, mortgage, real estate, loan, insurance, property management, investment banking broker, agent or other representative of the same general character.
- 4.22 loss due to liability imposed upon the **Insured** as a result of the unlawful disclosure of non-public material information by the **Insured** or any **Employee**, or as a result of any **Employee** acting upon such information,

whether authorized or unauthorized.

Insuring Agreement 1.7 of this policy does not cover any **Loss**:

4.23 caused by an identifiable **Employee** or a person or persons in collusion with an identifiable **Employee**.

Prior knowledge by any **Employee** that a fraudulent or malicious act by any other person or persons, has been or will be perpetrated, shall for the intent and purpose of this policy be deemed to be collusion if such **Employee** willfully or deliberately withholds knowledge from the **Insured** of any such act. Such withholding of knowledge from the **Insured** because of a threat to do bodily harm to any person or damage to the **Insured**'s premises or property shall not be deemed to be or to constitute collusion.

4.24 resulting from the accessing of any confidential information.

This exclusion shall not apply to the extent that such confidential information is used to support or facilitate the commission of an act covered under this policy.

4.25 resulting from mechanical failure, faulty construction, error in design, latent defect, wear or tear, gradual deterioration, electrical disturbance, **Recording Media** failure or breakdown or any malfunction or error in programming or errors or omissions in processing.

This exclusion shall not apply to the extent that the occurrence of any of the events listed in the above enables the commission of an act covered under this policy.

4.26 by reason of the input of **Electronic Data** by a third party who had authorised access to an authentication mechanism.

This exclusion shall not apply:

(a) where the third party referred to above obtained access beyond the level for which that third party was authorised;

(b) theft of funds or **Property** transferred to any third party recipient as a result of any such input provided there is no collusion between such third party recipient and the person effecting such transfer and that it is a condition of coverage hereunder that the **Insured** takes all reasonable steps to secure the recovery of such funds.

4.27 resulting from **Computer Programs** which were corrupted or which contained fraudulent or malicious features at the time of their acquisition from a vendor or consultant, where those **Computer Programs** were developed for sale to or are sold to multiple consumers.

This exclusion shall not apply where:

(a) no other purchaser of said **Computer Programs** has notified the same vendor or consultant of the same fraudulent features during a period of sixty (60) days from the date of **Discovery**;

(b) at the time of **Discovery** such fraudulent features were contained solely on the **Computer Programs** sold to the **Insured**;

- (c) such fraudulent features were inserted subsequent to the date of acquisition by the **Insured**.

5. LOSS DISCOVERED

This policy applies to **Loss Discovered** by the **Insured** during the **Policy Period** or the **Extended Reporting Period** (if applicable).

6. AGGREGATE LIMIT OF LIABILITY

6.1 Aggregate Limit of Liability

The **Insurer's** total liability for all **Losses** discovered during the **Policy Period** shall not exceed the **Limit of Liability**. The **Limit of Liability** shall be reduced by the amount of any payment made under the terms of this policy.

Upon exhaustion of the **Limit of Liability** by such payments:

- (a) the **Insurer** shall have no further liability for **Loss** or **Losses** regardless of when discovered and whether or not previously reported to the **Insurer**; and

(b) the **Insurer** shall have no obligation under General Condition 3.5 to continue the defense of the **Insured**, and upon notice by the **Insurer** to the **Insured** that the **Limit of Liability** has been exhausted; the **Insured** shall assume all responsibility for its defense at its own cost.

The **Limit of Liability** shall not be increased or reinstated by any recovery made and applied in accordance with Section 9.3. In the event that a loss of **Property** is settled by the **Insurer** through the use of a lost instrument bond, such loss shall not reduce the **Limit of Liability**.

6.2 Single Loss Limit of Liability

Subject to the **Limit of Liability**, the **Insurer**'s liability for each **Single Loss** shall not exceed the applicable **Single Loss Limit** shown in Item 4 of the Declarations. If a **Single Loss** is covered under more than one Insuring Agreement or Coverage, the maximum payable shall not exceed the largest applicable **Single Loss Limit**.

7. NOTICE/PROOF - LEGAL PROCEEDINGS AGAINST INSURER

7.1 The **Insured** shall give written notice to the **Insurer** of any **Loss** as soon as reasonably practicable after it has been **Discovered** and in any event within sixty (60) days after the end of the **Policy Period**.

7.2 The requirement contained in sub-clause 7.1 above to give notice of a **Loss** shall be suspended and of no effect and/or modified (as the case may be) if such notice is in respect of a **Restricted Notification**.

The suspension and/or modification of the requirement to notify the **Insurer** of any **Loss** under sub-clause 7.1 above in respect of a **Restricted Notification** shall end when and to the extent that the relevant legal or regulatory prohibition is lifted. Such notification, if permitted to do so by the relevant regulatory, police or prosecuting authority, shall be accompanied by evidence as to why the **Insured** was initially prevented from disclosing the existence of or details of any **Loss** to the **Insurer**. On notification of the **Loss** (in accordance with the foregoing), such **Loss** shall be deemed to have been **Discovered** and the **Insurer** notified at the time the **Responsible Officer** first became aware of the **Loss**.

7.3 Within six (6) months after such **Discovery** (or, where a **Restricted Notification** applies, within six (6) months of the **Responsible Person** first becoming aware that the relevant legal or regulatory prohibition has been lifted), the **Insured** shall furnish to the **Insurer** proof of loss, duly sworn, with full known particulars. At the **Insured**'s request, and upon agreement of the **Insurer**, such period of time shall be extended to permit the **Insured** more time to determine the amount and/or particulars of its loss.

7.4 Lost **Certificated Securities** listed in a proof of loss shall be identified by certificate or bond numbers if such securities were issued therewith.

7.5 Legal proceedings for the recovery of any **Loss** hereunder shall not be brought prior to the expiration of sixty (60) days after the original proof of **Loss** is filed with the **Insurer**.

7.6 This policy affords coverage only in favour of the **Insured**. No suit, action or legal proceedings shall be brought hereunder by anyone other than the named **Insured**.

7.7 If the **Insured** is an institution under the supervision of the Federal Home Loan Bank Board, it is understood and agreed that in case of any **Loss** hereunder discovered either by the **Insured** or by the Federal Home Loan Bank of which the **Insured** is a member, the said Federal Home Loan Bank is empowered to give notice of the **Loss** to the **Insurer** within the period limited therefore.

8. VALUATION

8.1 Deductions

In determining the amount collectible under this policy for any **Loss**, all funds received and able to be lawfully retained by the **Insured** from any source whatsoever in connection with any matter from which a claimed **Loss** has arisen, including payments and receipts of principal, interest, dividends, commissions and the like, whenever received, shall be deducted from the amount actually paid out, advanced, taken or otherwise lost. The value of all property (including **Property**) received and able to be lawfully retained by the **Insured** from any source whatsoever in connection with any matter from which a claimed **Loss** has arisen, whenever received, shall likewise be deducted from the **Insured**'s claimed **Loss**. It is understood, however, that nothing in this policy shall be construed to mean that a claim is not recoverable hereunder until the amount of such deductions have been ascertained.

8.2 Securities

(i) If **Certificated Securities** are able to be reissued then the **Insured** may reissue them, or arrange for them to be reissued, with the prior approval of the **Insurer** (such approval shall not be unreasonably delayed or withheld) and the value of those **Certificated Securities** shall be the actual cost of their reissue plus any interest charges incurred in doing so.

(ii) To the extent that the **Limit of Liability** is not exhausted by the **Insured** in the reissuing of **Certificated Securities** in accordance with sub-clause 8.2 (i) above, the amount of **Loss** shall also include any premium required to be paid by the **Insured** to purchase lost instrument bonds for the reissuing of duplicate **Certificated Securities** without reference to their total face value.

(iii) The amount of **Loss** shall also include any sums which the **Insured** may be required to pay either during the **Policy Period** or any time thereafter by reason of any lost instrument bonds issued or purchased by the **Insured** as referred to in sub-clause clause 8.2 (ii) above.

(iv) The **Insured** shall pay the cost of obtaining such lost instrument bond referred to in sub-clause clause 8.2 (iii) above for that portion of the **Loss** which falls within the applicable deductible amount or which is in excess of the

Limit of Liability remaining available for the payment of **Loss**.

(v) The **Insurer** shall reimburse the **Insured** for the cost of obtaining such lost instrument bond referred to in sub-clause clause 8.2 (iii) above for the amount of **Loss** which exceeds the applicable deductible amount and is within the **Limit of Liability**.

(vi) If for any reason it is not possible to re-issue **Certificated Securities** the value of such **Certificated Securities** shall be determined by the closing London market value of such **Certificated Securities** on the day of **Discovery** of the **Loss** (or if **Discovered** during a weekend or national holiday, on the next business day thereafter). The basis of valuation shall include any accrued interest (including coupons), dividends and privileges up to the date of **Discovery** of the **Loss**.

(vii) The valuation of **Certificated Securities** shall include external interest or interest charges up to the date of **Discovery** of the **Loss** necessarily incurred by the **Insured**, or for which the **Insured** is legally liable, as the direct result of a loss of **Certificated Securities** covered under this policy.

(viii) In case of a loss of subscription, conversion, redemption or other similar privileges the value of such privileges shall be the closing London market value of such privileges immediately preceding the expiration thereof.

8.3 Precious Metals

The value of precious metals shall be determined by their average London market value on the day of **Discovery** of the **Loss** (or if **Discovered** during a weekend or national holiday, on the next business day thereafter).

8.4 Electronic Data, Electronic Communications and Computer Programs

(i) To the extent that a **Loss** comprises solely the cost of reconstituting **Electronic Data, Electronic Communications** or **Computer Programs** following the **Impairment** of such **Electronic Data, Electronic Communications** or **Computer Programs**, the valuation of such **Electronic Data, Electronic Communications** or **Computer Programs** shall be the cost of labor for the actual transcription or copying in order to reproduce such **Electronic Data, Electronic Communications** or **Computer Programs**, including the cost of purchasing a software licence necessary to reproduce such **Electronic Data, Electronic Communications** or **Computer Programs**.

If **Electronic Data** or **Computer Programs** were purchased from a third party, the valuation of such **Electronic Data** or **Computer Programs** shall include the purchase price of that **Electronic Data** or **Computer Programs** from that third party if that price is less than the cost of transcription or copying.

(ii) If **Electronic Data** cannot be reproduced and that **Electronic Data** represents:

1) securities, or other instruments having a value, then the valuation shall be as indicated in sub-clause 8.2 (Securities) above; or

2) **Evidences of Debt**, then the valuation of such items shall be as indicated in sub-clause 8.2 (Securities) above; if such **Evidences of Debt** cannot be valued as indicated in sub-clause 8.2 (Securities) above, then the **Evidences of Debt** shall be valued in accordance with sub-clause 8.8 (Lending) below. In the event that it is not possible to value the **Evidences of Debt** as indicated in sub-clause 8.2 (Securities) above or in accordance with in sub-clause 8.8 (Lending) below, then the valuation of such **Evidences of Debt** shall be the

actual monetary value of the debt on the day of **Discovery** of the **Loss** (or if **Discovered** during a weekend or national holiday, on the next business day);

3) **Money**, then the valuation of such **Electronic Data** shall be its actual monetary value at the time of the **Loss**. However, in the event that such **Loss** is suffered in a currency other than the currency stated in the Declarations, then the valuation of such **Electronic Data** shall be as indicated in sub-clause 8.9 (Currency Valuation) below.

8.5 Recording Media

The value of **Recording Media** shall be the replacement cost of **Recording Media** of the equivalent kind or quality plus the value of any **Electronic Data** or **Computer Programs** stored on such **Recording Media**, as described in sub-clause 8.4 (Electronic Data, Electronic Communications and Computer Programs) above.

8.6 Books of Accounts and Records

The value of books of accounts or other records used by the **Insured** in the conduct of their business, shall be the cost of blank books, blank pages or other materials plus the cost of labor and computer time for the actual transcription or copying of data which shall have been furnished by the **Insured** in order to reproduce such books and other records.

8.7 Other Property

In the case of the loss of, damage to, or destruction of any property (including **Property**) other than as described in sub-clauses 8.2 to 8.6 above, the value of such property (including **Property**) shall be the actual cash value of such property (including **Property**) on the day of **Discovery** (or if **Discovered** during a weekend or national holiday, on the next business day thereafter).

8.8 Lending

The value of **Lending** shall be the amount of monies paid out, advanced or withdrawn by the **Insured** in relation to such **Lending** (subject always to sub-clause 8.1 (Deductions) above).

8.9 Currency Valuation

In the event that a **Loss** is suffered in a currency other than the currency stated in the Declarations, the rate of exchange applicable thereto for the purposes of determining the valuation of **Loss** shall be the closing mid-spot rate on the London market on the day of **Discovery** of its **Loss** (or if

Discovered during a weekend or national holiday, on the next business day thereafter).

9. **ASSIGNMENT-SUBROGATION-RECOVERIES-COOPERATION**

9.1 In the event of payment under this policy, the **Insured** shall deliver, if so requested by the **Insurer**, an assignment of such of the **Insured**'s rights, title and interest and causes of action as it has against any person or entity to the extent of the **Loss** payment.

9.2 In the event of payment under this policy, the **Insurer** shall be subrogated to all of the **Insured**'s rights of recovery therefore against any person or entity to the extent of such payment, provided, however, that the **Insurer** shall not be subrogated to any such rights or claims one named **Insured** under this policy may have against another named **Insured** under this policy.

9.3 Any recoveries (whether effected by the **Insurer** or by the **Insured**) shall be applied net of the expense of such recovery in the following order:

- (a) firstly to the satisfaction of the **Insured**'s **Loss** which would otherwise have been paid but for the fact that it is in excess of either the **Limit of Liability** or the **Single Loss Limit**;
- (b) secondly, to the **Insurer** as reimbursement of amounts paid in settlement of the **Insured**'s claim, and
- (c) thirdly, to the **Insured** in satisfaction of any deductible amount.

Recovery on account of **Loss** of securities as set forth in Section 8.2 or recovery from reinsurance and/or indemnity of the **Insurer** shall not be deemed a recovery as used herein.

9.4 Upon the **Insurer**'s request and at reasonable times and places designated by the **Insurer** the **Insured** shall:

- (a) submit to examination by the **Insurer** and subscribe to the same under oath; and
- (b) produce for the **Insurer**'s examination all pertinent records; and
- (c) cooperate with the **Insurer** in all matters pertaining to the **Loss**.

9.5 The **Insured** shall execute all papers and render assistance to secure the **Insurer** the rights and causes of action provided for herein. The **Insured** shall do nothing after discovery of **Loss** to prejudice such rights or causes of action.

10. **LIMIT OF LIABILITY UNDER THIS POLICY AND PRIOR INSURANCE**

With respect to any **Loss** set forth in Section 6 of this policy which is recoverable or recovered in whole or in part under any other bonds or policies issued by the **Insurer** to the **Insured** or to any predecessor in interest of the **Insured** and terminated or canceled or allowed to expire and in which the period for discovery has not expired at the time any such **Loss** thereunder is **Discovered**, the total liability of the **Insurer** under this policy and under such bonds or policies shall not exceed, in the aggregate, the amount carried hereunder on such **Loss** or the amount owed to the **Insured** under such other bonds or policies, as limited by terms and conditions thereof, for any such **Loss** if the latter amount be the larger.

If the coverage of this policy supersedes in whole or in part the coverage of any other bond or policy of insurance issued by an insurer other than the **Insurer** and terminated, canceled or allowed to expire, the **Insurer**, with respect to any loss sustained prior to such termination, cancellation or expiration and discovered within the period permitted under such other bond or policy for the discovery or loss there under, shall be liable under this policy only for that part of such **Loss** covered by this policy as is in excess of the amount recoverable or recovered on account of such **Loss** under such other bond or policy, anything to the contrary in such other bond or policy notwithstanding.

11. OTHER INSURANCE OR INDEMNITY

Coverage afforded hereunder shall apply only as excess over any valid and collectible insurance or indemnity obtained by the **Insured**, or by one other than the **Insured** on **Property** (subject to exclusion 4.16) or by a **Transportation Company**, or by another entity on whose premises the loss occurred or which employed the person causing the loss or the messenger conveying the **Property** involved.

12. OWNERSHIP

This policy shall apply to loss of **Property**: (1) owned by the **Insured**; (2) held by the **Insured** in any capacity; or (3) for which the **Insured** is legally liable. This policy shall be for the sole use and benefit of the **Insured** named in the Declarations.

13. DEDUCTIBLE AMOUNT

The **Insurer** shall be liable hereunder only for the amount by which any **Single Loss** exceeds the **Single Loss** deductible amount for the Insuring Agreement or Coverage applicable to such **Loss**, subject to the **Limit of Liability** and the applicable **Single Loss Limit**.

14. TERMINATION OR CANCELATION

This policy terminates as an entirety upon occurrence of any of the following:

(a) sixty (60) days after the receipt by the **Insured** of a written notice from the **Insurer** of its desire to cancel this policy; or

(b) immediately upon the receipt by the **Insurer** of a written notice from the **Insured** of its desire to cancel this policy; or

(c) immediately upon the taking over of the **Insured** by a receiver or other liquidator or by State or Federal officials; or

- (d) immediately upon the taking over of the **Insured** by another institution; or
- (e) immediately upon exhaustion of the **Limit of Liability**; or
- (f) immediately upon expiration of the **Policy Period**.

This policy terminates as to the subsequent acts of any **Employee** or any partner, officer or employee of any processor (a) as soon as any **Insured**, or any director or officer not in collusion with such person, learns of any dishonest or fraudulent act or **Theft** committed by such person at any time, whether in the employment of the **Insured** or otherwise, whether or not of the type covered under Insuring Agreement 1.1, against the **Insured** or any other person or entity, without prejudice to the loss of any **Property** then in transit in the custody of such person, or (b) fifteen (15) days after the receipt by the **Insured** of a written notice from the **Insurer** of its desire to cancel this policy as to such person.

Termination of the policy as to any **Insured** terminates liability for any **Loss** sustained by such **Insured** which is **Discovered** after the effective date of such termination.

Notwithstanding anything to the contrary contained in this Section 14, this policy shall not be canceled, terminated or modified except after written notice shall have been given by the acting party to the affected party and the Securities and Exchange Commission not less than sixty (60) days prior to the effective date of cancellation, termination or modification.

If the **Insured** is an institution **Insured** by the Federal Savings and Loan Insurance Corporation, termination or cancellation of this policy in its entirety, whether by the **Insured** or the **Insurer**, as provided in parts (a) and (b) in the first paragraph of this Section 14, shall not take effect prior to the expiration of ten (10) days from the receipt by the Federal Home Loan Bank of which the **Insured** is a member of written notice of such termination or cancellation unless an earlier date of termination or cancellation is approved by said Federal Home Loan Bank.

15. NOTICE PROVISIONS

This policy shall not be canceled or terminated as provided in Section 14, or modified by rider, except after written notice shall have been given by the acting party to the affected party, and to the Securities and Exchange Commission, Washington, D.C., not less than sixty (60) days prior to the effective date of such cancellation, termination or modification.

16. HEADINGS

The descriptions in the headings and any sub-headings of this policy (including any titles given to any endorsement attached hereto) are inserted solely for convenience and do not constitute any part of the terms or conditions hereof.

17. DISPUTES

Any disputes in connection with the coverage afforded by this policy that cannot be resolved between the **Insured** and **Insurer** within fourteen (14) days of that dispute first arising shall be submitted to the American Arbitration Association under and in accordance with its then prevailing commercial arbitration rules. It is further understood and agreed that the arbitration will be held in New York, U.S.A. and that the awards rendered by the arbitrator(s) shall be final and binding upon the parties and judgement thereon may be entered in any court having jurisdiction thereof.

18. EXTENDED REPORTING PERIOD

If the **Insurer** or the **Insured** cancel or decline to renew this policy, the **Insured** shall have the right, upon payment of an additional premium of sixty per cent (60%) of the **Full Annual Premium**, to an extended reporting period of one hundred and eighty (180) days or upon payment of an additional premium of one hundred per cent (100%) of the **Full Annual Premium**, to an extended reporting period of three hundred and sixty five (365) days following the effective date of such cancellation or non-renewal in which to give written notice to the **Insurer** of any **Loss Discovered** during such extended reporting period arising out of acts committed or events occurring prior to the end of the **Policy Period** and otherwise covered by this policy.

The rights contained in this Section 18 shall terminate, however, unless written notice of such election together with the additional premium due is received by the **Insurer** within thirty (30) days of the effective date of cancelation or non-renewal. The additional premium for the extended reporting period shall be fully earned at the inception of the extended reporting period. The extended reporting period is not

cancelable. The rights contained within this Section 18 shall not apply to any cancelation of this policy resulting from non-payment of premium.

19. DEFINITIONS

Terms appearing in bold type font in this policy shall be defined as follows:

- **Acceptance** means a draft, which the drawee has, by signature written thereon, engaged to honor as presented.

- **Account Code** means a confidential and protected string of characters that identifies or authenticates a person and permits said person to gain access to a **Telephone System** for the purpose of making long distance toll calls or utilizing voice mail box messaging capabilities or other similar functional features of a **Telephone System**.

- **Application** means:

- (a) the application for this policy, any attachment to any such application, any other materials submitted with or incorporated into any such application and any documents submitted to the **Insurer** specifically in connection with the underwriting of this policy; and,

- (b) to the extent made by or required of the **Insureds**:

any public documents filed during the twelve (12) month period immediately prior to the inception date of this policy by the **First Named Insured** with the Securities and Exchange Commission or any similar federal, state, local or foreign regulatory body, and any other written public statement or certification required by law to be made by the Chief Executive Officer, Chief Financial Officer or other Executive Officer of the **First Named Insured** regarding the accuracy, completeness or adequacy of such **Insured s** financial statements, SEC filings, or internal controls; whether or not such public documents, statements or certifications are furnished to the **Insurer**.

- **Certificate of Deposit** means an acknowledgment in writing by a **Financial Organization** of receipt of **Money** with an engagement to repay it.

- **Certificated Security** means a share, participation or other interest in property or an enterprise of the issuer or an obligation of the issuer, which is:

- (a) represented by an instrument issued in bearer or registered form;

- (b) of a type commonly dealt in on securities exchanges or markets or commonly recognized in any area in which it is issued or dealt in as a medium for investment; and

- (c) either one of a class or series or by its terms divisible into a class or series of shares, participations, interests or obligations.

- **Computer or Telephonic Fraud** means:

- (a) the **Impairment** of:

- (i) any **Electronic Data** (including but not limited to any **Electronic Data** contained in any **Electronic Communication**); and/or

(ii) any **Computer Programs**; and/or

(iii) any **Uncertificated Security**; and/or

(iv) any **Electronic Communications** on which the **Insured**, or any **Financial Organization** or **Service Bureau** acting on behalf of the **Insured**, have acted or relied; and/or

(b) the **Insured**, or any **Financial Organization** or **Service Bureau** acting on behalf of the **Insured**, having acted or relied upon any **Electronic Communications** or **Telephonic Communications**, purporting to have been, but were not, sent or made by:

(i) any office or department of the **Insured**; and/or

(ii) another **Financial Organization**; and/or

(iii) a customer or client of the **Insured**, any shareholder of or subscriber to shares issued by any **Fund** or an authorized representative of such customer, client, shareholder or subscriber when acting in that capacity; and/or

(iv) a **Service Bureau**;

(c) a **Financial Organization**, a customer or client of the **Insured**, any shareholder of or subscriber to shares issued by any **Fund** or an authorized representative of such customer, client, shareholder or subscriber when acting in that capacity or a **Service Bureau** having acted or relied upon any **Electronic Communications** or **Telephonic Communications**, purporting to have been, but were not, sent or made by:

(i) the **Insured**; or

(ii) another **Financial Organization** or **Service Bureau** acting on behalf of the **Insured**; and/or

(d) the unauthorised use of an **Account Code** or **System Password** contained in a **Telephone System** owned or leased by the **Insured**, with the intention of directing telephone toll charges onto the **Insured**.

- **Computer Programs** means a collection of instructions that describes a task, or set of tasks, to be carried out by a **Computer System**, including but not limited to application software, operating systems, firmware and compilers.

- **Computer System** means a computer and all input, output, processing, storage (including but not limited to off-line media libraries), intranets and communication facilities including related communication or open systems networks and extranets which are connected directly or indirectly to such a device.

- **Counterfeit** means an imitation of an actual valid original, which is intended to deceive and to be taken as the original.

- **Custodian** means:

- (a) any party with which the **Insured** has a written or electronic agreement for the provision of purchasing services, safekeeping, registration and entitlement records for the **Insured**;

(b) any regulated central securities depository.

Custodian shall also include a sub-custodian, being any regulated person or organization which:

(i) is involved in the provision of custodial services; and

(ii) has a written or electronic agreement with the custodian detailed in sub-clause (a) or (b) above for the provision of such services.

- **Deductible** means the amount stated in Item 6 of the Declarations.

- **Depository** means any securities depository (other than any foreign securities depository) in which a **Fund** may deposit its securities in accordance with Rule 17f-4 under the Investment Company Act of 1940.

- **Discovered** or **Discovery** means when any **Responsible Person** first becomes aware of, or has any knowledge of, any act, omission or event which could reasonably be foreseen to give rise to a **Loss** covered by this policy, even though the exact amount or details of such **Loss**, act, omission or event are not known at the time of such discovery.

Discovery also occurs when any **Responsible Person** first receives notice of an actual or potential claim in which it is alleged that the **Insured** is liable to a third party under circumstances which, if true would constitute a loss under this policy.

- **Electronic Communications** means instructions, messages, information or payments that have been, or appear to have been:

(a) transmitted electronically:

(i) through an **Electronic Communication System**; or

(ii) over the Internet; or

(b) communicated through the delivery of **Recording Media**.

• **Electronic Communication System** means any system which permits the electronic transmission of instructions, messages, information or payments, including but not limited to:

(a) any touch tone telephone communication system;

(b) telex, TWX or telefacsimile; and

(c) any **Computer System** which operates automated teller machines or point of sale terminals.

• **Electronic Data** means facts or information converted to a form usable in a **Computer System** or an **Electronic Communications System** and which is stored on or capable of being stored on **Recording Media**.

- **Employee** means:
 - (a) any of the **Insureds** officers or employees while performing services for the **Insureds** offices; and
 - (b) any of the officers or employees of any predecessor of the **Insured** whose principal assets are acquired by the **Insured** by consolidation or merger with, or purchase of assets or capital stock of, such predecessor; and
 - (c) attorneys retained by the **Insured** to perform legal services for the **Insured** and the employees of such attorneys while such attorneys or the employees of such attorneys are performing such services for the **Insured**; and
 - (d) guest students pursuing their studies or duties in any of the **Insureds** offices; and
 - (e) directors or trustees of the **Insured** but only while performing acts coming within the scope of the usual duties of an officer or employee or while acting as a member of any committee duly elected or appointed to examine or audit or have custody of or access to the property of the **Insured**; and
 - (f) any individual or individuals assigned to perform the usual duties of an employee within the premises for the **Insured**, by any agency furnishing temporary personnel on a contingent or part-time basis; and
 - (g) each natural person, partnership or corporation authorized by written or electronic agreement with the **Insured** to perform services as electronic data processor of checks or other accounting records of the **Insured**; and
 - (h) any employee or any partner of any named **Insured**; and
 - (i) any consultant whilst performing services or duties on behalf of the **Insured**; and
 - (j) each officer, partner or employee of:

(i) any **Depository** or **Exchange**;

(ii) any nominee in whose name is registered any security included in the systems for the central handling of securities established and maintained by any **Depository**; and

(iii) any recognized service company which provides clerks or other personnel to any **Depository** or **Exchange** on a contract basis,

while such officer, partner or employee is performing services for any **Depository** in the operation of systems for the central handling of securities; and

(k) each officer, director, trustee, partner or employee of:

(i) an investment adviser;

(ii) an underwriter (distributor);

(iii) a transfer agent or shareholder accounting record-keeper; or

(iv) an administrator authorized by written or electronic agreement to keep financial and/or other required records,

for a **Fund**, but only while:

(1) such officer, partner or employee is performing acts coming within the scope of the usual duties of an officer or employee of an **Insured**; or

(2) such officer, director, trustee, partner or employee is acting as a member of any committee duly elected or appointed to examine or audit or have custody of or access to the **Property** of the **Insured**; or

(3) such director or trustee (or anyone acting in a similar capacity) is acting outside the scope of the usual duties of a director or trustee.

Employee does not include any officer, director, trustee, partner or employee of a transfer agent, shareholder accounting record-keeper or administrator:

(a) which is not an affiliated person (as defined in section 2(a) of the Investment Company Act of 1940) of a **Fund** or of the adviser or underwriter of such **Fund**; or

(b) which is a **Bank** (as defined in section 2(a) of the Investment Company Act of 1940).

• **Evidence of Debt** means an instrument, including a **Negotiable Instrument**, executed by a customer or client of the **Insured** and held by the **Insured** which in the regular course of business is treated as evidencing the customer's or client's debt to the **Insured**.

• **Exchange** means any national securities exchange registered under the Securities Exchange Act of 1934.

- **Extended Reporting Period** means the extended reporting period set forth under Section 18 (Extended Reporting Period) of this policy.

- **Financial Organization** means:
 - (a) any bank, credit institution, financial institution, undertaking for collective investment in securities, investment firm, stockbroker, asset management company, building society, friendly society, or similar organization;

 - (b) a regulated investment exchange or automated clearing house.

 - (c) any **Custodian**.

- **First Named Insured** means the entity first named in Item 1 of the Declarations.

- **Forgery** means the signing of the name of another person or organization with intent to deceive; it does not mean a signature, which consists in whole, or in part of one's own name signed with or without authority, in any capacity, for any purpose.

- **Fraudulent Retention** means:

- (a) the wrongful retention of funds or **Property** by a third party recipient without contractual or other legal right to such retention;

- (b) the inability to recover any funds or **Property** erroneously transferred into the account of a third party recipient, despite all reasonable efforts to secure such recovery, solely because:

- (i) the third party recipient is unknown; or

- (ii) such funds or **Property** have been misappropriated.

- **Fraudulently Induced Instruction** means an electronic, telegraphic, cable, teletype, telefacsimile, telephone or written instruction authorising the transfer, payment or delivery of funds or property (including **Property**) communicated to the **Insured** or an employee of the **Insured** by:

- (a) a natural person purporting to be a director, officer, partner, member, sole proprietor or other employee of the **Insured** with authorisation from the **Insured** to instruct other employees of the **Insured** to transfer, pay or deliver funds or property (including **Property**), but which instruction was in fact fraudulently transmitted by someone else without the authority and knowledge of such director, officer, partner, member, sole proprietor or other employee of the **Insured**;

- (b) a natural person purporting to be a director, officer, partner, member, sole proprietor or employee of a **Vendor** or a customer or client of the **Insured** (including but not limited to any director, officer, partner, member, sole proprietor or employee of such customer or client of the **Insured**) with authorisation to make such instruction, but which instruction was in fact fraudulently transmitted by someone else without the authority and knowledge of such director, officer, partner, member, sole proprietor or employee of a **Vendor** or a customer or client of the **Insured**; or

- (c) a natural person purporting to be an authorised representative of any **Financial Organization** acting on behalf of a **Vendor** or a customer or client of the **Insured** with authorisation to make such instructions, but which instruction was in fact fraudulently transmitted by someone else without the authority and knowledge of such authorised representative.

- **Full Annual Premium** means the premium level in effect immediately prior to the end of the **Policy Period**.

- **Fund(s)** means the investment company(ies) which are:

- (a) specifically listed in this policy; or

- (b) created or acquired during the **Policy Period** in accordance with sub-clause (c) of General Condition 3.2.

- **Guarantee** means a written undertaking obligating the signer to pay the debt of another to the **Insured** or its assignee or to a financial institution from which the **Insured** has purchased participation in the debt if the debt is not paid in accordance with its terms.

- **Impairment** means fraudulent, dishonest, malicious or criminal:

(a) preparation; and/or

(b) input; and/or

(c) modification; and/or

(d) deletion,

whether actual or attempted by or at the behest of any person or persons.

- **Instruction** means a written order to the issuer of an **Uncertificated Security** requesting that the transfer, pledge or release from pledge of the **Uncertificated Security** specified be registered.

- **Insured** means:

(a) the **Named Insured**; and

(b) any other entity designated as an **Additional Named Insured** under this policy.

- **Insurer** means AXIS Specialty Europe SE.

- **Legal Proceeding** means any legal proceeding brought to determine the **Insured**'s liability for any **Loss**, claim or damage which, if established, would constitute a collectible **Loss** under this policy.

- **Lending or Loan** means any of the following:
 - (a) all extensions of credit by the **Insured** and all transactions creating a creditor or lessor relationship in favour of the **Insured**, including but not limited to transactions by which the **Insured** assumes an existing creditor or lessor relationship and includes any such extensions of credit, whether authorised or unauthorised; and/or
 - (b) any note, account, agreement or other **Evidence of Debt** assigned or sold to, or discounted or otherwise acquired by the **Insured**, including but not limited to the purchase, discounting or other acquisition of false or genuine accounts or invoices.
- **Letter of Credit** means an engagement in writing by a **Financial Organization** or other person made at the request of a customer that the **Financial Organization** or other person will honor drafts or other demands for payment upon compliance with the conditions specified in the **Letter of Credit**.
- **Limit of Liability** means the amount stated in Item 3 of the Declarations.
- **Loss** means:
 - (a) direct financial loss sustained by the **Insured** and as set out in the policy;
 - (b) **Preparation Costs**; and/or
 - (c) **Verification and Reconstitution Costs**.

- **Malicious Code** means any unauthorised, corrupting or harmful software code, including but not limited to computer viruses, Trojan horses, keystroke loggers, spyware, adware, worms and logic bombs.

- **Money** means a medium of exchange in current use authorized or adopted by a domestic or foreign government as a part of its currency.

- **Named Insured** means the entity(ies) specified in Item 1 of the Declarations.

- **Negotiable Instrument** means any writing:
 - (a) signed by the maker or drawer; and

 - (b) containing any unconditional promise or order to pay a sum certain in **Money** and no other promise, order, obligation or power given by the maker or drawer; and

 - (c) is payable on demand or at a definite time; and

 - (d) is payable to order or bearer.

- **Policy Period** means the period of time from the inception date shown in Item 2 of the Declarations to the earlier of the expiration date shown in Item 2 of the Declarations or the effective date of cancelation of this policy.

- **Preparation Costs** means costs, charges, fees, disbursements and expenses incurred and/or paid by the **Insured**, with the prior written approval by the **Insurer** (such approval not to be unreasonably delayed or withheld), for independent outside accountants, solicitors or other specialists or professional persons to determine, or attempt to determine the amount and/or extent of any direct financial loss covered under this policy.

- **Prior Policy** means the policy identified in Item 10 of the Declarations.

- **Property** means **Money, Certificated Securities, Uncertificated Securities, Negotiable Instruments, Certificates of Deposit**, documents of title, **Acceptances, Evidences of Debt**, security agreements, **Withdrawal Orders**, certificates of origin or title, **Letters of Credit**, insurance policies, abstracts of title, deeds and mortgages on real estate, revenue and other stamps, tokens, unsold state lottery tickets, books of account and other records whether recorded in writing or electronically, gems, jewellery, precious metals of all kinds and in any form, and tangible items of personal property which are not hereinbefore enumerated.

Property shall include **Recording Media**.

- **Recording Media** means the physical components or materials on which **Electronic Data** or **Computer Programs** can be recorded.
- **Responsible Person** means the person(s) stated under Item 9 of the Declarations.
- **Restricted Notification** means when the **Insured** is prevented from disclosing the existence of any **Loss** to the **Insurer** after it has been **Discovered** due to any legal or regulatory prohibition imposed by or on behalf of any regulatory, police or prosecuting authority anywhere in the world.

- **Self-Regulatory Organization** means any association of investment advisers or securities dealers registered under the federal securities laws, or any **Exchange**.

- **Service Bureau** means a natural person, partnership or corporation authorised by written or electronic agreement with the **Insured** to perform data processing services using **Computer Systems**.

- **Single Loss** means all covered **Loss**, including court costs and legal costs, charges, fees, disbursements and expenses incurred by the **Insurer** under General Condition 3.5, resulting from:

- (a) any one act or series of related acts of burglary, robbery or attempt thereat, in which no **Employee** is implicated; or

- (b) any one act or series of related unintentional or negligent acts or omissions on the part of any person (whether an **Employee** or not) resulting in damage to or destruction or misplacement of property; or

- (c) all acts or omissions other than those specified in (a) and (b) preceding, caused by any person (whether an **Employee** or not) or in which such person is implicated; or

- (d) any one casualty or event not specified in (a), (b) or (c) preceding.

- **Single Loss Limit** means the amount(s) stated in Item 4 of the Declarations.

- **Statement of Uncertificated Security** means a written statement of the issuer of an **Uncertificated Security** containing:

- (a) a description of the issue of which the **Uncertificated Security** is a part;

- (b) the number of shares or units: transferred to the registered owner; pledged by the registered owner to the registered pledgee; released from pledge by the registered pledgee; registered in the name of the registered owner on the date of the statements; or subject to pledge on the date of the statement;

- (c) the name and address of the registered owner and registered pledge;
- (d) a notation of any liens and restrictions of the issuer and any adverse claims to which the **Uncertificated Security** is or may be subject or a statement that there are none of those liens, restrictions or adverse claims; and
- (e) the date the transfer of the shares or units to the new registered owner of the shares or units was registered, the pledge of the registered pledgee was registered or of the statement, if it is a periodic or annual statement.
- **System Password** means a confidential and protected string of characters that identifies or authenticates a person and permits said person to gain access to the **Telephone System** or any portion thereof in order to perform security functions, system administration or maintenance functions.
 - **Telephonic Communications** means instructions, messages, information or payments made over the telephone or by Voice over Internet Protocol (VoIP), or other forms of IP or broadband telephony.

- **Telephone System** means a private branch exchange, a third party hosted telephony service, voice mail processor, automated call-back attendant or a **Computer System** with a similar capacity.

- **Tested** means a method of authenticating the contents of a communication by utilizing:
 - (a) a valid test key, including but not limited to a digital signature, public key cryptography, asymmetric cryptography or other similar technologies or encryption methods, for the purpose of protecting the integrity of that communication; or
 - (b) a Personal Identification Number (PIN); or
 - (c) a call back procedure to an authorised person, other than the individual initiating the communication.

- **Theft** means robbery, burglary or hold-up, occurring with or without violence or the threat of violence.

- **Transportation Company** means any organization, which provides its own or leased vehicles for transportation or which provides freight forwarding or air express services.

- **Uncertificated Security** means a share, participation or other interest in property of or an enterprise of the issuer or an obligation of the issuer, which is:
 - (a) not represented by an instrument and the transfer of which is registered upon books maintained for that purpose by or on behalf of the issuer;
 - (b) of a type commonly dealt in on securities exchanges or markets; and
 - (c) each one of a class or series or by its terms divisible into a class or series of shares, participations, interests or obligations.

- **Vendor** means any entity with which the **Insured** has a legitimate pre-existing arrangement or written or electronic agreement to provide goods, services or other activities to the **Insured**.

- **Verification and Reconstitution Costs** means costs, charges, fees, disbursements and expenses incurred and/or paid by the **Insured**, with the prior written approval by the **Insurer** (such approval not to be unreasonably delayed or withheld), for the verification or reconstitution or removal of:
 - (a) **Computer Programs** or **Electronic Data** which have been the subject of **Impairment**; or
 - (b) **Malicious Code**.

- **Withdrawal Order** means a non-negotiable instrument, other than an **Instruction**, signed by a customer or client of the **Insured** or any shareholder of or subscriber to shares issued by any **Fund** authorizing the **Insured** to debit the customer's, client's, shareholder's or subscriber's account in the amount of funds stated therein.

ABERDEEN EMERGING MARKETS EQUITY INCOME FUND, INC.

SECRETARY S CERTIFICATE

The undersigned, Megan Kennedy, Secretary of Aberdeen Emerging Markets Equity Income Fund, Inc. (the Fund or AEF), hereby certifies that set forth below is a copy of the resolutions duly adopted by the Board of Directors of the Fund (the Fund) on April 27, 2018, and that said resolutions continue in full force and effect:

WHEREAS, the Board of Directors, including all of the Directors of the Fund who are not interested persons of the Fund (as that term is defined by Rule 2(a)(19) under the 1940 Act) (Independent Directors), of the Fund has determined that the Fund should obtain fidelity bond coverage in an amount sufficient to cover the minimum legal requirements pertinent to the Fund as required by the 1940 Act; and

WHEREAS, the Board of Directors of the Fund, in making such determination, have considered various factors including, but not limited to, the nature of the entity writing the fidelity bond coverage, the amount of the bond and premium; and

NOW, THEREFORE, BE IT

RESOLVED, that the Board of Directors of the Fund, including the Independent Directors, determined that the Fidelity Bond written by Axis Specialty Europe SE covering, among others, officers and employees of the Fund, in accordance with the requirements of Rule 17g-1 promulgated by the U.S. Securities and Exchange Commission (SEC) under Section 17(g) of the 1940 Act, in the amount of \$1.5 million, plus such additional amounts as required for any new investment companies (or portfolios thereof) added to the Fidelity Bond or as otherwise required by the 1940 Act, is reasonable in form and amount after having given due consideration to, among other things, the value of the aggregate assets of the Fund to which any person covered under the Fidelity Bond may have access, the type and terms of the arrangements made for the custody and safekeeping of the Fund s assets, the nature of the securities in the Fund s portfolio, the nature of the business activities of the other parties; and it is further

RESOLVED, that the Fidelity Bond be, and hereby is, ratified and approved by vote of a majority of the Board of Directors of the Fund (all Directors voting) and separately by the Independent Directors; and it is further

RESOLVED, that the appropriate officers of the Fund be, and they hereby are, authorized and directed to prepare, execute, and file such amendments and supplements to the aforesaid Agreement, and to take such other action as may

be necessary or appropriate in order to conform to the provisions of the 1940 Act, and the rules and regulations thereunder; and it is further

RESOLVED, that the Secretary of the Fund shall file the Fidelity Bond and any other information with the SEC, as required under paragraph (g) of Rule 17g-1.

IN WITNESS WHEREOF, I have hereunto signed my name this 4th day of June, 2018.

/s/ Megan Kennedy
Megan Kennedy
Secretary and Vice President

2

of 67% or more of the preferred shares present at such meeting, if the holders of more than 50% of the outstanding preferred shares are present or represented by proxy, or (ii) more than 50% of the outstanding preferred shares, whichever is less. The class vote of holders of preferred shares described above in each case will be in addition to a separate vote of the requisite percentage of common shares, and any other preferred shares, voting together as a single class, that may be necessary to authorize the action in question. An increase in the number of authorized preferred shares pursuant to the Governing Documents or the issuance of additional shares of any series of preferred shares pursuant to the Governing Documents shall not in and of itself be considered to adversely affect the rights and preferences of the preferred shares.

- 41 -

Table of Contents

The calculation of the elements and definitions of certain terms of the rating agency guidelines may be modified by action of the Board without further action by the shareholders if the Board determines that such modification is necessary to prevent a reduction in rating of the preferred shares by Moody's and/or S&P (or other rating agency then rating the preferred shares at the request of the Fund), as the case may be, or is in the best interests of the holders of common shares and is not adverse to the holders of preferred shares in view of advice to the Fund by the relevant rating agencies that such modification would not adversely affect its then-current rating of the preferred shares.

The foregoing voting provisions will not apply to any series of preferred shares if, at or prior to the time when the act with respect to which such vote otherwise would be required will be effected, such shares will have been redeemed or called for redemption and sufficient cash or cash equivalents provided to the applicable paying agent to effect such redemption. The holders of preferred shares will have no preemptive rights or rights to cumulative voting.

Limitation on Issuance of Preferred Shares

So long as the Fund has preferred shares outstanding, subject to receipt of approval from the rating agencies of each series of preferred shares outstanding, and subject to compliance with the Fund's investment objective, policies and restrictions, the Fund may issue and sell shares of one or more other series of additional preferred shares provided that the Fund will, immediately after giving effect to the issuance of such additional preferred shares and to its receipt and application of the proceeds thereof (including, without limitation, to the redemption of preferred shares to be redeemed out of such proceeds), have an asset coverage for all senior securities of the Fund which are shares, as defined in the 1940 Act, of at least 200% of the sum of the liquidation preference of the shares of preferred shares of the Fund then outstanding and all indebtedness of the Fund constituting senior securities and no such additional preferred shares will have any preference or priority over any other preferred shares of the Fund upon the distribution of the assets of the Fund or in respect of the payment of dividends or distributions.

The Fund will consider from time to time whether to offer additional preferred shares or securities representing indebtedness and may issue such additional securities if the Board concludes that such an offering would be consistent with the Fund's Charter and applicable law, and in the best interest of existing common shareholders.

Book Entry. Fixed Rate Preferred Shares sold through this offering will initially be held in the name of Cede & Co. as nominee for DTC. The Fund will treat Cede & Co. as the holder of record of such shares for all purposes. In accordance with the procedures of DTC, however, purchasers of Fixed Rate Preferred Shares will be deemed the beneficial owners of shares purchased for purposes of dividends, voting and liquidation rights.

Shares of Auction Rate Preferred Shares will initially be held by the auction agent as custodian for Cede & Co., in whose name the shares of Auction Rate Preferred Shares will be registered. The Fund will treat Cede & Co. as the holder of record of such shares for all purposes.

ANTI-TAKEOVER PROVISIONS OF THE FUND'S GOVERNING DOCUMENTS

The Fund presently has provisions in its Governing Documents which could have the effect of limiting, in each case, (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 trustees or shareholders 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 Board is divided into three classes, each having a term of no more than three years (except, to ensure that the term of a class of the Fund's trustees expires each year, one class of the Fund's trustees will serve an initial one-year term and three-year terms thereafter and another class of its trustees will serve an initial two-year term and three-year terms thereafter). Each year the term of one class of trustees will expire. Accordingly, only those trustees in one class may be changed in any one year, and it would require a minimum of two years to change a majority of the Board. Such system of electing trustees may have the effect of maintaining the continuity of management and, thus, make it more difficult for the shareholders of the Fund to change the majority of trustees. See

Trustees and Officers. A trustee of the Fund may be removed with cause by a majority of the remaining Trustees and, without cause, by two-thirds of the remaining Trustees or by no less than two-thirds of the aggregate number of votes entitled to be cast for the election of such Trustee. Special voting requirements of 75% of the outstanding voting shares (in addition to any required class votes) apply to certain mergers or a sale of all or substantially all of the Fund's assets, dissolution, conversion of the Fund into an open-end fund or interval fund and amendments to several provisions of the Declaration of Trust, including the foregoing provisions. In addition, 80% of the holders of the

outstanding voting securities of the Fund voting as a class is generally required in order to authorize any of the following transactions:

- 42 -

Table of Contents

the merger or consolidation of the Fund with or into any other entity;

the issuance of any securities of the Fund to any person or entity for cash, other than pursuant to the Dividend and Reinvestment Plan or any offering if such person or entity acquires no greater percentage of the securities offered than the percentage beneficially owned by such person or entity immediately prior to such offering or, in the case of a class or series not then beneficially owned by such person or entity, the percentage of common shares beneficially owned by such person or entity immediately prior to such offering;

the sale, lease or exchange of all or any substantial part of the assets of the Fund to any entity or person (except assets having an aggregate fair market value of less than \$1,000,000);

the sale, lease or exchange to the Fund, in exchange for securities of the Fund, of any assets of any entity or person (except assets having an aggregate fair market value of less than \$1,000,000);

the purchase of the Fund's common shares by the Fund from any other person or entity if such corporation, person or entity is directly, or indirectly through affiliates, the beneficial owner of more than 5% of the outstanding shares of the Fund.;

However, such vote would not be required when, under certain conditions, the Board approves the transaction. Reference is made to the Governing Documents of the Fund, on file with the SEC, for the full text of these provisions.

In addition, shareholders have no authority to adopt, amend or repeal By-Laws. The Board of Trustees has authority to adopt, amend and repeal By-Laws consistent with the Declaration of Trust (including to require approval by the holders of a majority of the outstanding shares for the election of Trustees).

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.

CLOSED-END FUND STRUCTURE

The Fund is a non-diversified, closed-end management investment company (commonly referred to as a closed-end fund). Closed-end funds differ from open-end funds (which are generally referred to as mutual funds) in that closed-end funds generally list their shares for trading on a stock exchange and do not redeem their shares at the request of the shareholder. This means that if you wish to sell your shares of a closed-end fund you must trade them on the market like any other shares at the prevailing market price at that time. In a mutual fund, if the shareholder 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 objective, to have greater flexibility to make certain types of investments and to use certain investment strategies such as financial leverage and investments in illiquid securities.

Shares of closed-end funds often trade at a discount to their NAV. Because of this possibility and the recognition that any such discount may not be in the interest of shareholders, the Board might consider from time to time engaging in open-market repurchases, tender offers for shares or other programs intended to reduce a discount. We cannot guarantee or assure, however, that the Board will decide to engage in any of these actions. Nor is there any guarantee or assurance that such actions, if undertaken, would result in the shares trading at a price equal or close to NAV per share. The Board might also consider converting the Fund to an open-end mutual fund, which would also require a supermajority vote of the shareholders of the Fund and a separate vote of any outstanding preferred shares. We cannot assure you that the Fund's common shares will not trade at a discount.

REPURCHASE OF COMMON SHARES

The Fund is a non-diversified, closed-end, management investment company and as such its shareholders do not, and will not, have the right to redeem their shares. The Fund, however, may repurchase its common shares from time to time as and when it deems such a repurchase advisable. Such repurchases will be made when the Fund's common shares are trading at a discount of 10% (or such other percentage as the Board may determine from time to time) or more from NAV. Pursuant to the 1940 Act, the Fund may repurchase its common shares on a securities exchange (provided that the Fund has informed its shareholders within the preceding six months of its intention to repurchase such shares) or as otherwise permitted in accordance with Rule 23c-1 under the 1940 Act. Under that Rule, certain conditions must be met regarding, among other things, distribution of net income for the preceding fiscal year, status of the seller, price paid, brokerage commissions, prior notice to shareholders of an intention to purchase shares and purchasing in a manner and on a basis that does not discriminate unfairly against the other shareholders through their interest in the Fund.

When the Fund repurchases its common shares for a price below NAV, the NAV of the common shares that remains outstanding will be enhanced, but this does not necessarily mean that the market price of the outstanding common shares will be affected, either positively or negatively.

RIGHTS OFFERINGS

The Fund may in the future, and at its discretion, choose to make rights offerings. Any such future rights offering will be made in accordance with the 1940 Act. Under the laws of Delaware, the Board is authorized to approve rights offerings without obtaining shareholder approval. The staff of the SEC has interpreted the 1940 Act as not requiring shareholder approval of a transferable rights offering at a price below the then current net asset value so long as certain conditions are met, including: (i) a good faith determination by a fund's Board that such offering would result in a net benefit to existing shareholders; (ii) the offering fully protects shareholders' preemptive rights and does not discriminate among shareholders

Table of Contents

(except for the possible effect of not offering fractional rights); (iii) management uses its best efforts to ensure an adequate trading market in the rights for use by shareholders who do not exercise such rights; and (iv) the ratio of a transferable rights offering does not exceed one new share for each three rights held.

NET ASSET VALUE

The net asset value of the Fund's shares is computed based on the market value of the securities it holds and determined daily as of the close of the regular trading day on the NYSE. For purposes of determining the Fund's net asset value per share, portfolio securities listed or traded on a nationally recognized securities exchange or traded in the U.S. over-the-counter market for which market quotations are readily available are valued at the last quoted sale price or a market's official closing price as of the close of business on the day the securities are being valued. If there were no sales that day, the security is valued at the average of the closing bid and asked prices or, if there were no asked prices quoted on that day, then the security is valued at the closing bid price on that day. If no bid or asked prices are quoted on such day, the security is valued at the most recently available price or, if the Board so determines, by such other method as the Board shall determine in good faith to reflect its fair market value. Portfolio securities traded on more than one national securities exchange or market are valued according to the broadest and most representative market, as determined by the Investment Adviser.

Portfolio securities primarily traded on a foreign market are generally valued at the preceding closing values of such securities on the relevant market, but may be fair valued pursuant to procedures established by the Board if market conditions change significantly after the close of the foreign market but prior to the close of business on the day the securities are being valued. Debt instruments with remaining maturities of 60 days or less that are not credit impaired are valued at amortized cost, unless the Board determines such amount does not reflect the securities' fair value, in which case these securities will be fair valued as determined by the Board. Debt instruments having a maturity greater than 60 days for which market quotations are readily available are valued at the average of the latest bid and asked prices. If there were no asked prices quoted on such day, the security is valued using the closing bid price. Futures contracts are valued at the closing settlement price of the exchange or board of trade on which the applicable contract is traded.

Securities and assets for which market quotations are not readily available are fair valued as determined by the Board. Fair valuation methodologies and procedures may include, but are not limited to: analysis and review of available financial and non-financial information about the company; comparisons to the valuation and changes in valuation of similar securities, including a comparison of foreign securities to the equivalent U.S. dollar value ADR securities at the close of the U.S. exchange; and evaluation of any other information that could be indicative of the value of the security.

The Fund obtains valuations on the basis of prices provided by one or more pricing services approved by the Board. 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 Board. 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 had 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 Closings. The holidays (as observed) on which the NYSE is closed, and therefore days upon which shareholders cannot purchase or sell shares, currently are: New Year's Day, Dr. 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.

LIMITATION ON TRUSTEES AND OFFICERS LIABILITY

The Governing Documents provide that the Fund will indemnify its Trustees and officers and may indemnify its employees or agents against liabilities and expenses incurred in connection with litigation in which they may be involved because of their positions with the Fund, to the fullest extent permitted by law. However, nothing in the Governing Documents protects or indemnifies a Trustee, officer, employee or agent of the Fund against any liability to which such person would otherwise be subject in the event of such person's willful misfeasance, bad faith, gross

negligence or reckless disregard of the duties involved in the conduct of his or her position.

- 44 -

Table of Contents

TAXATION

The following discussion is a brief summary of certain U.S. federal income tax considerations affecting the Fund and its shareholders. This discussion reflects applicable tax laws of the United States as of the date of this Prospectus, which tax laws may be changed or subject to new interpretations by the courts or the Internal Revenue Service (the IRS) retroactively or prospectively. No attempt is made to present a detailed explanation of all U.S. federal, state, local and foreign tax concerns affecting the Fund and its shareholders (including shareholders owning a large position in the Fund), and the discussions set forth herein do not constitute tax advice.

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, 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:

- (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 shares, securities or foreign currencies, and other income (including but not limited to gain 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**.

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 (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 corporation 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) 98.2% 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.

In certain situations, the Fund may, for a taxable year, defer all or a portion of its capital losses and currency losses realized after October and certain ordinary losses realized after December until the next taxable year in computing its investment company taxable income and net capital gain, which will defer the recognition of such realized losses.

Such

- 45 -

Table of Contents

deferrals and other rules regarding gains and losses realized after October (or December) may affect the tax character of shareholder distributions.

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 reports as capital gains dividends (capital gain dividends) are taxable as long-term capital gains, regardless of how long you have held your shares. All other dividends paid to you by the Fund (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, 2012. 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 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 shares, and thereafter as capital gain from the sale of 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 shares, thereby increasing your potential gain or reducing your potential loss on any subsequent sale or other disposition of your shares.

Dividends and other taxable distributions are taxable to you even if 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.

Beginning in 2013, a 3.8 percent Medicare contribution tax will be imposed on net investment income, including interest, dividends, and capital gain, of U.S. individuals with income exceeding \$200,000 (or \$250,000 if married filing jointly), and of estates and trusts.

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 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 shares for more than one year at the time of sale. Any loss upon the sale or exchange of 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 shares. Any loss you realize on a sale or exchange of shares will be disallowed if you acquire other 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 shares. In such case, your tax basis in the 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.

A 30% withholding tax will be imposed on dividends and redemption proceeds paid after December 31, 2012, to (i) foreign financial institutions including non-U.S. investment funds unless they agree to collect and disclose to the IRS information regarding their direct and indirect U.S. account holders and (ii) certain other foreign entities unless they certify

- 46 -

Table of Contents

certain information regarding their direct and indirect U.S. owners. To avoid withholding, foreign financial institutions will need to enter into agreements with the IRS regarding providing the IRS information including the name, address and taxpayer identification number of direct and indirect U.S. account holders, to comply with due diligence procedures with respect to the identification of U.S. accounts, to report to the IRS certain information with respect to U.S. accounts maintained, to agree to withhold tax on certain payments made to non-compliant foreign financial institutions or to account holders who fail to provide the required information, and to determine certain other information as to their account holders. Other foreign entities will need to provide the name, address, and taxpayer identification number of each substantial U.S. owner or certifications of no substantial U.S. ownership unless certain exceptions apply.

Conclusion

The foregoing is a general and abbreviated summary of the provisions of the Code and the Treasury regulations in effect as they directly govern the taxation of the Fund and its shareholders. These provisions are subject to change by legislative or administrative action, and any such change may be retroactive.

CUSTODIAN, TRANSFER AGENT AND DIVIDEND DISBURSING AGENT

The Bank of New York Mellon Corporation, 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 receives a monthly fee based upon the average weekly value of the total assets of the Fund, plus certain charges for securities transactions.

Computershare, located at 250 Royall Street, Canton, Massachusetts 02021, serves as the Fund's dividend disbursing agent, as agent under the Plan and as transfer agent and registrar with respect to the common shares of the Fund.

Computershare also serves as the Fund's transfer agent, registrar, dividend paying agent and redemption agent with respect to the Series A Preferred.

The Bank of New York, located at 100 Church Street, New York, New York 10286, also serves as the Fund's auction agent, transfer agent, registrar, dividend paying agent and redemption agent with respect to the Series B Preferred.

PLAN OF DISTRIBUTION

We may sell shares through underwriters or dealers, directly to one or more purchasers, through agents, or through underwriters or dealers, or through a combination of any such methods of sale. The applicable Prospectus Supplement will identify any underwriter or agent involved in the offer and sale of our shares, any sales loads, discounts, commissions, fees or other compensation paid to any underwriter, dealer or agent, the offering price, net proceeds and use of proceeds and the terms of any sale.

The distribution of our shares may be effected from time to time in one or more transactions at a fixed price or prices, which may be changed, at prevailing market prices at the time of sale, at prices related to such prevailing market prices, or at negotiated prices, provided, however, that the offering price per share in the case of common shares, must equal or exceed the NAV per share, exclusive of any underwriting commissions or discounts, of our common shares.

We may sell our shares directly to, and solicit offers from, institutional investors or others who may be deemed to be underwriters as defined in the Securities Act of 1933 (the "Securities Act") for any resales of the securities. In this case, no underwriters or agents would be involved. We may use electronic media, including the Internet, to sell offered securities directly.

In connection with the sale of our shares, underwriters or agents may receive compensation from us in the form of discounts, concessions or commissions. Underwriters may sell our shares to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions from the purchasers for whom they may act as agents. Underwriters, dealers and agents that participate in the distribution of our shares may be deemed to be underwriters under the Securities Act, and any discounts and commissions they receive from us and any profit realized by them on the resale of our shares may be deemed to be underwriting discounts and commissions under the Securities Act. Any such underwriter or agent will be identified and any such compensation received from us will be described in the applicable Prospectus Supplement. The

maximum commission or discount to be received by any FINRA

- 47 -

Table of Contents

member or independent broker-dealer will not exceed eight percent. We will not pay any compensation to any underwriter or agent in the form of warrants, options, consulting or structuring fees or similar arrangements.

If a Prospectus Supplement so indicates, we may grant the underwriters an option to purchase additional shares at the public offering price, less the underwriting discounts and commissions, within 45 days from the date of the Prospectus Supplement, to cover any over-allotments.

Under agreements into which we may enter, underwriters, dealers and agents who participate in the distribution of our shares may be entitled to indemnification by us against certain liabilities, including liabilities under the Securities Act. Underwriters, dealers and agents may engage in transactions with us, or perform services for us, in the ordinary course of business.

If so indicated in the applicable Prospectus Supplement, we will ourselves, or will authorize underwriters or other persons acting as our agents to solicit offers by certain institutions to purchase our shares from us pursuant to contracts providing for payment and delivery on a future date. Institutions with which such contacts may be made include commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions and others, but in all cases such institutions must be approved by us. The obligation of any purchaser under any such contract will be subject to the condition that the purchase of the shares shall not at the time of delivery be prohibited under the laws of the jurisdiction to which such purchaser is subject. The underwriters and such other agents will not have any responsibility in respect of the validity or performance of such contracts. Such contracts will be subject only to those conditions set forth in the Prospectus Supplement, and the Prospectus Supplement will set forth the commission payable for solicitation of such contracts.

To the extent permitted under the 1940 Act and the rules and regulations promulgated thereunder, the underwriters may from time to time act as brokers or dealers and receive fees in connection with the execution of our portfolio transactions after the underwriters have ceased to be underwriters and, subject to certain restrictions, each may act as a broker while it is an underwriter.

A Prospectus and accompanying Prospectus Supplement in electronic form may be made available on the websites maintained by underwriters. The underwriters may agree to allocate a number of securities for sale to their online brokerage account holders. Such allocations of securities for Internet distributions will be made on the same basis as other allocations. In addition, securities may be sold by the underwriters to securities dealers who resell securities to online brokerage account holders.

In order to comply with the securities laws of certain states, if applicable, our shares offered hereby will be sold in such jurisdictions only through registered or licensed brokers or dealers.

LEGAL MATTERS

Certain legal matters will be passed on by Willkie Farr & Gallagher LLP, 787 Seventh Avenue, New York, New York 10019-6099, counsel to the Fund, in connection with the offering of the Fund's shares. Counsel for the Fund will rely, as to certain matters of Delaware law, on Richards, Layton & Finger, P.A., One Rodney Square, 920 North King Street, Wilmington, Delaware 19801.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

[_____] serves as the Independent Registered Public Accounting Firm of the Fund and audits the financial statements of the Fund. [_____] is located at [_____].

ADDITIONAL INFORMATION

The Fund is subject to the informational requirements of the Securities Act of 1934, as amended (the 1934 Act), 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 the 1934 Act and the 1940 Act 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.

Table of Contents

The Fund's common shares and Series A Preferred are listed on the NYSE. 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, 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 and the 1940 Act. This Prospectus omits certain of the information contained in the Registration Statement, and reference is hereby made to the Registration Statement and related exhibits for further information with respect to the Fund and the 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 OF STATEMENT OF ADDITIONAL INFORMATION

An SAI dated as of [May 19], 2011, 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:

	Page
<u>The Fund</u>	3
<u>Investment Objectives and Policies</u>	3
<u>Investment Restrictions</u>	12
<u>Management of The Fund</u>	12
<u>Dividends and Distributions</u>	25
<u>Auctions for Auction Rate Preferred Shares</u>	25
<u>Portfolio Transactions</u>	28
<u>Portfolio Turnover</u>	29
<u>Taxation</u>	29
<u>Beneficial Owners</u>	34
<u>General Information</u>	34
<u>Appendix A Proxy Voting Policy</u>	A-1

No dealer, salesperson or other 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.

Table of Contents

\$100,000,000
Common Shares of Beneficial Interest
Preferred Shares of Beneficial Interest
Notes
PRELIMINARY PROSPECTUS
Subject to completion, dated May 19, 2011
- 51 -

Table of Contents

The information in this Prospectus Supplement is not complete and may be changed. The Fund may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This Prospectus is not an offer to sell these securities and is not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

Filed Pursuant to Rule 497(c)
Registration Statement No. []

PROSPECTUS SUPPLEMENT
(To Prospectus dated _____, 2011)

_____ Shares
Common Shares of Beneficial Interest

We are offering for sale _____ of our common shares. Our common shares are traded on the New York Stock Exchange under the symbol GUT. The last reported sale price for our common shares on _____, _____ was \$_____ per share. The net asset value of the Fund's common shares at the close of business on [], 2011 was \$[] per share.

You should review the information set forth under Risk Factors and Special Considerations on page ___ of the accompanying Prospectus before investing in our common shares.

	Per Share	Total (1)
Public offering price	\$	\$
Underwriting discounts and commissions	\$	\$
Proceeds, before expenses, to us	\$	\$

(1) The aggregate expenses of the offering are estimated to be \$ _____, which represents approximately \$ _____ per share.

The underwriters may also purchase up to an additional _____ common shares from us at the public offering price, less underwriting discounts and commissions, to cover over-allotments, if any, within 30 days after the date of this Prospectus Supplement. If the over-allotment option is exercised in full, the total proceeds, before expenses, to the Fund would be \$ _____ and the total underwriting discounts and commissions would be \$ _____. The common shares will be ready for delivery on or about _____, _____.

You should read this Prospectus Supplement and the accompanying Prospectus before deciding whether to invest in our common shares and retain it for future reference. The Prospectus Supplement and the accompanying Prospectus contain important information about us. Material that has been incorporated by reference and other information about us can be obtained from us by calling 1-800-GABELLI (422-3554) or from the Securities and Exchange Commission's (SEC) website (<http://www.sec.gov>).

NEITHER THE SEC NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS SUPPLEMENT IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

_____, 2011
S-1

You should rely only on the information contained or incorporated by reference in this Prospectus Supplement and the accompanying Prospectus. Neither the Fund nor the underwriters have authorized anyone to provide you with different information. The Fund is not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained in this Prospectus Supplement and the accompanying Prospectus is accurate as of any date other than the date of this Prospectus Supplement and the accompanying Prospectus, respectively. Our business, financial condition, results of operations and prospects may have changed since those dates. In this Prospectus Supplement and in the accompanying Prospectus, unless otherwise indicated, Fund, us, our and we refer to The Gabelli Utility Trust. This Prospectus Supplement also includes trademarks owned by other persons.

TABLE OF CONTENTS
Prospectus Supplement

	Page
<u>TABLE OF FEES AND EXPENSES</u>	S-4
<u>USE OF PROCEEDS</u>	S-4
<u>FINANCIAL HIGHLIGHTS</u>	S-5
<u>PRICE RANGE OF COMMON SHARES</u>	S-5
<u>PLAN OF DISTRIBUTION</u>	S-5
<u>LEGAL MATTERS</u>	S-5

Prospectus

<u>PROSPECTUS SUMMARY</u>	[]
<u>SUMMARY OF FUND EXPENSES</u>	[]
<u>FINANCIAL HIGHLIGHTS</u>	[]
<u>USE OF PROCEEDS</u>	[]
<u>THE FUND</u>	[]
<u>INVESTMENT OBJECTIVES AND POLICIES</u>	[]
<u>RISK FACTORS AND SPECIAL CONSIDERATIONS</u>	[]
<u>MANAGEMENT OF THE FUND</u>	[]
<u>PORTFOLIO TRANSACTIONS</u>	[]
<u>DIVIDENDS AND DISTRIBUTIONS</u>	[]
<u>ISSUANCE OF COMMON SHARES</u>	[]
<u>AUTOMATIC DIVIDEND REINVESTMENT AND VOLUNTARY CASH PURCHASE PLAN</u>	[]
<u>DESCRIPTION OF THE SHARES</u>	[]
<u>ANTI-TAKEOVER PROVISIONS OF THE FUND'S GOVERNING DOCUMENTS</u>	[]
<u>CLOSED-END FUND STRUCTURE</u>	[]
<u>REPURCHASE OF COMMON SHARES</u>	[]
<u>RIGHTS OFFERINGS</u>	[]
<u>NET ASSET VALUE</u>	[]
<u>LIMITATION ON TRUSTEES AND OFFICERS' LIABILITY</u>	[]
<u>TAXATION</u>	[]
<u>CUSTODIAN, TRANSFER AGENT AND DIVIDEND DISBURSING AGENT</u>	[]
<u>PLAN OF DISTRIBUTION</u>	[]
<u>LEGAL MATTERS</u>	[]
<u>INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	[]
<u>ADDITIONAL INFORMATION</u>	[]
<u>PRIVACY PRINCIPLES OF THE FUND</u>	[]
<u>TABLE OF CONTENTS OF STATEMENT OF ADDITIONAL INFORMATION</u>	[]

Table of Contents

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus Supplement, the accompanying Prospectus and the Statement of Additional Information 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 such terms. Such forward-looking statements may be contained in this Prospectus Supplement as well as in the accompanying Prospectus. 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 our actual results are the performance of the portfolio of securities we hold, the price at which our shares will trade in the public markets and other factors discussed in our periodic filings with the SEC.

Although we believe that the expectations expressed in our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in our forward-looking statements. Our 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 Risk Factors and Special Considerations section of the accompanying prospectus. All forward-looking statements contained or incorporated by reference in this Prospectus Supplement or the accompanying Prospectus are made as of the date of this Prospectus Supplement or the accompanying Prospectus, as the case may be. Except for our ongoing obligations under the federal securities laws, we do not intend, and we undertake no obligation, to update any forward-looking statement. The forward-looking statements contained in this Prospectus Supplement, any accompanying Prospectus and the Statement of Additional Information are excluded from the safe harbor protection provided by Section 27A of the Securities Act of 1933, as amended (the Securities Act).

Currently known risk factors that could cause actual results to differ materially from our expectations include, but are not limited to, the factors described in the Risk Factors and Special Considerations section of the accompanying Prospectus. We urge you to review carefully those sections for a more detailed discussion of the risks of an investment in our common shares.

S-3

Table of Contents

TABLE OF FEES AND EXPENSES

The following tables are intended to assist you in understanding the various costs and expenses directly or indirectly associated with investing in our common shares as a percentage of net assets attributable to common shares. Amounts are for the current fiscal year after giving effect to anticipated net proceeds of the offering, assuming that we incur the estimated offering expenses, including preferred share offering expenses.

Shareholder Transaction Expenses

Sales Load (as a percentage of offering price)	[]%
Offering Expenses Borne by the Fund (as a percentage of offering price)	[]%
Dividend Reinvestment Plan Fees	None(1)

**Percentage of Net Assets
Attributable to Common
Shares**

Annual Expenses	
Management Fees	[]%(2)
Interest on Borrowed Funds	[]
Other Expenses	[]%(2)
Dividends on Preferred Shares	%
Total annual fund operating expenses and dividends on preferred shares	% (2)
Total Annual Expenses	[]%(2)

- (1) You will be charged a \$[] service charge and pay brokerage charges if you direct the plan agent to sell your common shares held in a dividend reinvestment account.
- (2) The Investment Adviser's fee is 1.00% annually of the Fund's average weekly net assets, with no deduction for the liquidation preference of any outstanding preferred shares. Consequently, in as much as the Fund has preferred shares outstanding, the investment management fees and other expenses as a percentage of net assets attributable to common shares are higher than if the Fund did not utilize a leveraged capital structure. Other Expenses are based on estimated amounts for the current year assuming completion of the proposed issuances.

Example

The following example illustrates the expenses (including the maximum estimated sales load of \$[] and estimated offering expenses of \$[] from the issuance of \$[] million in common shares) you would pay on a \$1,000 investment in common shares, assuming a 5% annual portfolio total return.* The actual amounts in connection with any offering will be set forth in the Prospectus Supplement if applicable.

	1 Year	3 Years	5 Years	10 Years
Total Expenses Incurred				

* **The example should not be considered a representation of future expenses.** The example assumes that the amounts set forth in the Annual Expenses table are accurate and that all distributions are reinvested at net asset value. Actual expenses may be greater or less than those assumed. Moreover, the Fund's actual rate of return may be greater or less than the hypothetical 5% return shown in the example.

USE OF PROCEEDS

We estimate the total net proceeds of the offering to be \$_____ (\$_____ if the over-allotment option is exercised in full), based on the public offering price of \$_____ per share and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

The Investment Adviser expects that it will initially invest the proceeds of the offering in high-quality short-term debt securities and instruments. The Investment Adviser anticipates that the investment of the proceeds will be made in accordance with the Fund's investment objectives and policies as appropriate investment opportunities are identified, which is expected to

S-4

Table of Contents

be substantially completed within three months; however, changes in market conditions could result in the Fund's anticipated investment period extending to as long as six months.

FINANCIAL HIGHLIGHTS

[To be provided.]

PRICE RANGE OF COMMON SHARES

The following table sets forth for the quarters indicated, the high and low sale prices on the New York Stock Exchange per common share and the net asset value and the premium or discount from net asset value per share at which the common shares were trading, expressed as a percentage of net asset value, at each of the high and low sale prices provided.

[To be provided.]

The last reported price for our common shares on _____, _____ was \$_____ per share.

PLAN OF DISTRIBUTION

[To be provided.]

LEGAL MATTERS

Certain legal matters will be passed on by Willkie Farr & Gallagher LLP, New York, New York, counsel to the Fund in connection with the offering of the common shares. Certain legal matters in connection with this offering will be passed upon for the underwriters by _____. Willkie Farr & Gallagher LLP and [] may rely as to certain matters of Delaware law on the opinion of [].

S-5

Table of Contents

The Gabelli Utility Trust
_____ Common Shares of Beneficial Interest
PROSPECTUS SUPPLEMENT
, 2011

Until _____, 2011 (25 days after the date of this prospectus), all dealers that buy, sell or trade the Common Shares, whether or not participating in this offering, may be required to deliver a Prospectus. This is in addition to each dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to its unsold allotments or subscriptions.

S-6

Table of Contents

The information in this Prospectus Supplement is not complete and may be changed. The Fund may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This Prospectus is not an offer to sell these securities and is not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

Filed Pursuant to Rule 497(c)
Registration Statement No. []

PROSPECTUS SUPPLEMENT
(To Prospectus dated _____, 2011)

_____ Shares
Series [] Preferred Shares
(Liquidation Preference \$[] per share)

We are offering for sale _____ shares of our Series ___ Preferred Shares. Our common shares are traded on the New York Stock Exchange under the symbol GUT. The last reported sale price for our common shares on _____, ___ was \$ ___ per share.

You should review the information set forth under Risk Factors and Special Considerations on page ___ of the accompanying Prospectus before investing in our preferred shares.

	Per Share	Total (1)
Public offering price	\$	\$
Underwriting discounts and commissions	\$	\$
Proceeds, before expenses, to us	\$	\$

(1) The aggregate expenses of the offering are estimated to be \$ _____, which represents approximately \$ ___ per share.

The Underwriters are expected to deliver the Series ___ Preferred Shares in book-entry form through the Depository Trust Company on or about _____, ___.

You should read this Prospectus Supplement and the accompanying Prospectus before deciding whether to invest in our preferred shares and retain it for future reference. The Prospectus Supplement and the accompanying Prospectus contain important information about us. Material that has been incorporated by reference and other information about us can be obtained from us by calling 800-GABELLI (422-3554) or from the Securities and Exchange Commission's (SEC) website (<http://www.sec.gov>).

NEITHER THE SEC NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS SUPPLEMENT IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Table of Contents

You should rely only on the information contained or incorporated by reference in this Prospectus Supplement and the accompanying Prospectus. Neither the Fund nor the underwriters have authorized anyone to provide you with different information. The Fund is not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained in this Prospectus Supplement and the accompanying Prospectus is accurate as of any date other than the date of this Prospectus Supplement and the accompanying Prospectus, respectively. Our business, financial condition, results of operations and prospects may have changed since those dates. In this Prospectus Supplement and in the accompanying Prospectus, unless otherwise indicated, Fund, us, our and we refer to The Gabelli Utility Trust. This Prospectus Supplement also includes trademarks owned by other persons.

TABLE OF CONTENTS

Prospectus Supplement

	Page
<u>TERMS OF THE SERIES [] PREFERRED SHARES</u>	P-4
<u>USE OF PROCEEDS</u>	P-5
<u>CAPITALIZATION</u>	P-5
<u>ASSET COVERAGE RATIO</u>	P-5
<u>SPECIAL CHARACTERISTICS AND RISKS OF THE SERIES [] PREFERRED SHARES</u>	P-5
<u>DESCRIPTION OF THE SERIES [] PREFERRED SHARES</u>	P-5
<u>TAXATION</u>	P-5
<u>UNDERWRITING</u>	P-5
<u>LEGAL MATTERS</u>	P-5

Prospectus

<u>PROSPECTUS SUMMARY</u>	[]
<u>SUMMARY OF FUND EXPENSES</u>	[]
<u>FINANCIAL HIGHLIGHTS</u>	[]
<u>USE OF PROCEEDS</u>	[]
<u>THE FUND</u>	[]
<u>INVESTMENT OBJECTIVES AND POLICIES</u>	[]
<u>RISK FACTORS AND SPECIAL CONSIDERATIONS</u>	[]
<u>MANAGEMENT OF THE FUND</u>	[]
<u>PORTFOLIO TRANSACTIONS</u>	[]
<u>DIVIDENDS AND DISTRIBUTIONS</u>	[]
<u>ISSUANCE OF COMMON SHARES</u>	[]
<u>AUTOMATIC DIVIDEND REINVESTMENT AND VOLUNTARY CASH PURCHASE PLAN</u>	[]
<u>DESCRIPTION OF THE SHARES</u>	[]
<u>ANTI-TAKEOVER PROVISIONS OF THE FUND'S GOVERNING DOCUMENTS</u>	[]
<u>CLOSED-END FUND STRUCTURE</u>	[]
<u>REPURCHASE OF COMMON SHARES</u>	[]
<u>RIGHTS OFFERINGS</u>	[]
<u>NET ASSET VALUE</u>	[]
<u>LIMITATION ON TRUSTEES AND OFFICERS LIABILITY</u>	[]
<u>TAXATION</u>	[]
<u>CUSTODIAN, TRANSFER AGENT AND DIVIDEND DISBURSING AGENT</u>	[]
<u>PLAN OF DISTRIBUTION</u>	[]
<u>LEGAL MATTERS</u>	[]

<u>INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	[]
<u>ADDITIONAL INFORMATION</u>	[]
<u>PRIVACY PRINCIPLES OF THE FUND</u>	[]
<u>TABLE OF CONTENTS OF STATEMENT OF ADDITIONAL INFORMATION</u>	[]

Table of Contents

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus Supplement, the accompanying Prospectus and the Statement of Additional Information 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 such terms. Such forward-looking statements may be contained in this Prospectus Supplement as well as in the accompanying Prospectus. 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 our actual results are the performance of the portfolio of securities we hold, the price at which our shares will trade in the public markets and other factors discussed in our periodic filings with the SEC.

Although we believe that the expectations expressed in our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in our forward-looking statements. Our 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 Risk Factors and Special Considerations section of the accompanying prospectus. All forward-looking statements contained or incorporated by reference in this Prospectus Supplement or the accompanying Prospectus are made as of the date of this Prospectus Supplement or the accompanying Prospectus, as the case may be. Except for our ongoing obligations under the federal securities laws, we do not intend, and we undertake no obligation, to update any forward-looking statement. The forward-looking statements contained in this Prospectus Supplement, any accompanying Prospectus and the Statement of Additional Information are excluded from the safe harbor protection provided by Section 27A of the Securities Act of 1933, as amended (the Securities Act).

Currently known risk factors that could cause actual results to differ materially from our expectations include, but are not limited to, the factors described in the Risk Factors and Special Considerations section of the accompanying Prospectus. We urge you to review carefully those sections for a more detailed discussion of the risks of an investment in our preferred shares.

Table of Contents

TERMS OF THE SERIES ___ PREFERRED SHARES

Dividend Rate	The dividend rate [for the initial dividend period] ¹ will be ___%.
Dividend Payment Rate	[Dividends will be paid when, as and if declared on _____, _____, and _____, commencing _____.] ² The payment date for the initial dividend period will be _____.] ¹
[Regular Dividend Period	Regular dividend periods will be ___days.] ¹
Liquidation Preference	\$ ___ per share
[Non-Call Period	The shares may not be called for redemption at the option of the Fund prior to _____.] ²
[Stock Exchange Listing] ²	

1 Applicable only if the preferred shares being offered are auction rate shares.

2 Applicable only if the preferred shares being offered are fixed rate shares.

P-4

Table of Contents

USE OF PROCEEDS

We estimate the total net proceeds of the offering to be \$ _____, based on the public offering price of \$ _____ per share and after deduction of the underwriting discounts and commissions and estimated offering expenses payable by us.

The Investment Adviser expects that it will initially invest the proceeds of the offering in high-quality short-term debt securities and instruments. The Investment Adviser anticipates that the investment of the proceeds will be made in accordance with the Fund's investment objectives and policies as appropriate investment opportunities are identified, which is expected to be substantially completed within three months; however, changes in market conditions could result in the Fund's anticipated investment period extending to as long as six months.

CAPITALIZATION

[To be provided.]

ASSET COVERAGE RATIO

[To be provided.]

SPECIAL CHARACTERISTICS AND RISKS OF THE SERIES [] PREFERRED SHARES

[To be provided.]

DESCRIPTION OF THE SERIES [] PREFERRED SHARES

[To be provided.]

TAXATION

[To be provided.]

UNDERWRITING

[To be provided.]

LEGAL MATTERS

Certain legal matters will be passed on by Willkie Farr & Gallagher LLP, New York, New York, counsel to the Fund in connection with the offering of the Series [] Preferred Shares. Certain legal matters in connection with this offering will be passed upon for the underwriters by _____. Willkie Farr & Gallagher LLP and [] may rely as to certain matters of Delaware law on the opinion of [].

P-5

Table of Contents

The Gabelli Utility Trust
_____ Shares
_____ % Series [] [] Preferred Shares
(Liquidation Preference \$_____ per share)
PROSPECTUS SUPPLEMENT
, 2011

Until _____, 2011 (25 days after the date of this prospectus), all dealers that buy, sell or trade the Preferred Shares, whether or not participating in this offering, may be required to deliver a Prospectus. This is in addition to each dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to its unsold allotments or subscriptions.

P-6

Table of Contents

The information in this Prospectus Supplement is not complete and may be changed. The Fund may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This Prospectus is not an offer to sell these securities and is not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

Filed Pursuant to Rule 497(c)
Registration Statement No. []

PROSPECTUS SUPPLEMENT
(To Prospectus dated _____, 2011)

_____ Rights for _____ Shares
Subscription Rights for Common Shares

The Gabelli Utility Trust (the Fund, we, us or our) is issuing subscription rights (the Rights) to our common shareholders to purchase additional common shares.

The Fund is a non-diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended (the 1940 Act). The Fund's primary investment objective is long-term growth of capital and income. The Fund's investment adviser is Gabelli Funds, LLC (the Investment Adviser).

Our common shares are traded on the New York Stock Exchange (NYSE) under the symbol GUT. On _____, 2011 (the last trading date prior to the Common Shares trading ex-Rights), the last reported net asset value per Common Share was \$____ and the last reported sales price per Common Share on the NYSE was \$____.

An investment in the Fund is not appropriate for all investors. We cannot assure you that the Fund's investment objective will be achieved. You should read this Prospectus Supplement and the accompanying Prospectus before deciding whether to invest in common shares and retain it for future reference. The Prospectus Supplement and the accompanying Prospectus contain important information about us. Material that has been incorporated by reference and other information about us can be obtained from us by calling 800-GABELLI (422-3554) or from the Securities and Exchange Commission's (SEC) website (<http://www.sec.gov>). For additional information all holders of rights should contact the Information Agent, [], toll-free at [] or please send written request to: [].

Investing in common shares through Rights involves certain risks that are described in the Special Characteristics and Risks of the Rights Offering section beginning on page S-[] of the Prospectus Supplement.

SHAREHOLDERS WHO DO NOT EXERCISE THEIR RIGHTS MAY, AT THE COMPLETION OF THE OFFERING, OWN A SMALLER PROPORTIONAL INTEREST IN THE FUND THAN IF THEY EXERCISED THEIR RIGHTS. AS A RESULT OF THE OFFERING YOU MAY EXPERIENCE DILUTION OR ACCRETION OF THE AGGREGATE NET ASSET VALUE OF YOUR COMMON SHARES DEPENDING UPON WHETHER THE FUND'S NET ASSET VALUE PER COMMON SHARE IS ABOVE OR BELOW THE SUBSCRIPTION PRICE ON THE EXPIRATION DATE.

NEITHER THE SEC NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS SUPPLEMENT IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Table of Contents

	Per Share	Total
Subscription price of Common Shares to shareholders exercising Rights	\$	\$
Underwriting discounts and commissions	[]	[]
Proceeds, before expenses, to the Fund (1)	\$	\$

(1) The aggregate expenses of the offering are estimated to be \$[].

The common shares are expected to be ready for delivery in book-entry form through the Depository Trust Company on or about _____, 2011. If the offer is extended, the common shares are expected to be ready for delivery in book-entry form through the Depository Trust Company on or about _____, 2011.

The date of this Prospectus Supplement is _____, 2011

R-2

Table of Contents

You should rely only on the information contained or incorporated by reference in this Prospectus Supplement and the accompanying Prospectus. The Fund has not authorized anyone to provide you with different information. The Fund is not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained in this Prospectus Supplement and the accompanying Prospectus is accurate as of any date other than the date of this Prospectus Supplement and the accompanying Prospectus, respectively. Our business, financial condition, results of operations and prospects may have changed since those dates. In this Prospectus Supplement and in the accompanying Prospectus, unless otherwise indicated, Fund, us, our and we refer to The Gabelli Utility Trust. This Prospectus Supplement also includes trademarks owned by other persons.

TABLE OF CONTENTS
Prospectus Supplement

	Page
<u>SUMMARY OF THE TERMS OF THE RIGHTS OFFERING</u>	R-5
<u>DESCRIPTION OF THE RIGHTS OFFERING</u>	R-5
<u>TABLE OF FEES AND EXPENSES</u>	R-6
<u>USE OF PROCEEDS</u>	R-6
<u>CAPITALIZATION</u>	R-7
<u>PRICE RANGE OF COMMON SHARES</u>	R-7
<u>SPECIAL CHARACTERISTICS AND RISKS OF THE RIGHTS OFFERING</u>	R-7
<u>TAXATION</u>	R-7
<u>LEGAL MATTERS</u>	R-7

Prospectus

<u>PROSPECTUS SUMMARY</u>	[]
<u>SUMMARY OF FUND EXPENSES</u>	[]
<u>FINANCIAL HIGHLIGHTS</u>	[]
<u>USE OF PROCEEDS</u>	[]
<u>THE FUND</u>	[]
<u>INVESTMENT OBJECTIVES AND POLICIES</u>	[]
<u>RISK FACTORS AND SPECIAL CONSIDERATIONS</u>	[]
<u>MANAGEMENT OF THE FUND</u>	[]
<u>PORTFOLIO TRANSACTIONS</u>	[]
<u>DIVIDENDS AND DISTRIBUTIONS</u>	[]
<u>ISSUANCE OF COMMON SHARES</u>	[]
<u>AUTOMATIC DIVIDEND REINVESTMENT AND VOLUNTARY CASH PURCHASE PLAN</u>	[]
<u>DESCRIPTION OF THE SHARES</u>	[]
<u>ANTI-TAKEOVER PROVISIONS OF THE FUND'S GOVERNING DOCUMENTS</u>	[]
<u>CLOSED-END FUND STRUCTURE</u>	[]
<u>REPURCHASE OF COMMON SHARES</u>	[]
<u>RIGHTS OFFERINGS</u>	[]
<u>NET ASSET VALUE</u>	[]
<u>LIMITATION ON TRUSTEES AND OFFICERS' LIABILITY</u>	[]
<u>TAXATION</u>	[]
<u>CUSTODIAN, TRANSFER AGENT AND DIVIDEND DISBURSING AGENT</u>	[]
<u>PLAN OF DISTRIBUTION</u>	[]
<u>LEGAL MATTERS</u>	[]
<u>INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	[]

<u>ADDITIONAL INFORMATION</u>	[]
<u>PRIVACY PRINCIPLES OF THE FUND</u>	[]
<u>TABLE OF CONTENTS OF STATEMENT OF ADDITIONAL INFORMATION</u>	[]

R-3

Table of Contents

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus Supplement, the accompanying Prospectus and the Statement of Additional Information 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 such terms. Such forward-looking statements may be contained in this Prospectus Supplement as well as in the accompanying Prospectus. 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 our actual results are the performance of the portfolio of securities we hold, the price at which our shares will trade in the public markets and other factors discussed in our periodic filings with the SEC.

Although we believe that the expectations expressed in our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in our forward-looking statements. Our 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 Risk Factors and Special Considerations section of the accompanying Prospectus and Special Characteristics and Risks of the Rights Offering in this Prospectus Supplement. All forward-looking statements contained or incorporated by reference in this Prospectus Supplement or the accompanying Prospectus are made as of the date of this Prospectus Supplement or the accompanying Prospectus, as the case may be. Except for our ongoing obligations under the federal securities laws, we do not intend, and we undertake no obligation, to update any forward-looking statement. The forward-looking statements contained in this Prospectus Supplement, any accompanying Prospectus and the Statement of Additional Information are excluded from the safe harbor protection provided by Section 27A of the Securities Act of 1933, as amended (the Securities Act).

Currently known risk factors that could cause actual results to differ materially from our expectations include, but are not limited to, the factors described in the Risk Factors and Special Considerations section of the accompanying Prospectus as well as in the Special Characteristics and Risks of the Rights Offering section of this Prospectus Supplement. We urge you to review carefully those sections for a more detailed discussion of the risks of an investment in the common shares.

Table of Contents

SUMMARY OF THE TERMS OF THE RIGHTS OFFERING

Terms of the Offer	[To be provided.]
Amount Available for Primary Subscription	[\$]
Title	Subscription Rights for Common Shares
Subscription Price	Rights may be exercised at a price of \$_____ per Common Share (the Subscription Price). See <i>Terms of the Offer</i> .
Record Date	Rights will be issued to holders of record of the Fund's Common Shares on _____, 2011 (the Record Date). See <i>Terms of the Offer</i> .
Number of Rights Issued	_____ Right will be issued in respect of each Common Share of the Fund outstanding on the Record Date. See <i>Terms of the Offer</i> .
Number of Rights Required to Purchase One Common Share	A holder of Rights may purchase _____ Common Share of the Fund for every _____ Rights exercised. The number of Rights to be issued to a shareholder on the Record Date will be rounded up to the nearest number of Rights evenly divisible by _____. See <i>Terms of the Offer</i> .
Over-Subscription Privilege	[To be provided.]
Transfer of Rights	[To be provided.]
Subscription Period	The Rights may be exercised at any time after issuance and prior to expiration of the Rights, which will be 5:00 PM Eastern Time on _____, 2011 (the Expiration Date) (the Subscription Period). See <i>Terms of the Offer and Method of Exercise of Rights</i> .
Offer Expenses	The expenses of the Offer are expected to be approximately \$[]. See <i>Use of Proceeds</i> .
Sale of Rights	[To be provided.]
Use of Proceeds	The Fund estimates the net proceeds of the Offer to be approximately \$[]. This figure is based on the Subscription Price per share of \$_____ and assumes all new Common Shares offered are sold and that the expenses related to the Offer estimated at approximately \$[] are paid. The Investment Adviser anticipates that investment of the proceeds will be made in accordance with the Fund's investment objectives and policies as appropriate investment opportunities are identified, which is expected to be substantially completed in approximately three months; however, the identification of appropriate investment opportunities pursuant to the Fund's investment style or changes in market conditions may cause the investment period to extend as long as six months. Pending such investment, the proceeds will be held in high quality short-term debt securities and instruments. See <i>Use of Proceeds</i> .

Taxation/ERISA *See Employee Plan Considerations.*

Rights Agent [To be provided.]

DESCRIPTION OF THE RIGHTS OFFERING

[To be provided.]

R-5

Table of Contents

TABLE OF FEES AND EXPENSES

The following tables are intended to assist you in understanding the various costs and expenses directly or indirectly associated with investing in our common shares as a percentage of net assets attributable to common shares. Amounts are for the current fiscal year after giving effect to anticipated net proceeds of the offering, assuming that we incur the estimated offering expenses, including preferred shares offering expenses.

Shareholder Transaction Expenses

Sales Load (as a percentage of offering price)	[]%
Offering Expenses Borne by the Fund (as a percentage of offering price)	[]%
Dividend Reinvestment Plan Fees	None(1)

**Percentage of Net Assets
Attributable to Common
Shares**

Annual Expenses	
Management Fees	[]%(2)
Interest on Borrowed Funds	[]
Other Expenses	[]%(2)
Dividends on Preferred Shares	%
Total annual fund operating expenses and dividends on preferred shares	%(2)
Total Annual Expenses	[]%(2)

- (1) You will be charged a \$[] service charge and pay brokerage charges if you direct the plan agent to sell your common shares held in a dividend reinvestment account.
- (2) The Investment Adviser's fee is 1.00% annually of the Fund's average weekly net assets, with no deduction for the liquidation preference of any outstanding preferred shares. Consequently, in as much as the Fund has preferred shares outstanding, the investment management fees and other expenses as a percentage of net assets attributable to common shares are higher than if the Fund did not utilize a leveraged capital structure. Other Expenses are based on estimated amounts for the current year assuming completion of the proposed issuances.

Example

The following example illustrates the expenses (including the maximum estimated sales load of \$[] and estimated offering expenses of \$[] from the issuance of \$[] million in common shares) you would pay on a \$1,000 investment in common shares, assuming a 5% annual portfolio total return.* The actual amounts in connection with any offering will be set forth in the Prospectus Supplement if applicable.

	1 Year	3 Years	5 Years	10 Years
Total Expenses Incurred				

* **The example should not be considered a representation of future expenses.** The example assumes that the amounts set forth in the Annual Expenses table are accurate and that all distributions are reinvested at net asset value. Actual expenses may be greater or less than those assumed. Moreover, the Fund's actual rate of return may be greater or less than the hypothetical 5% return shown in the example.

USE OF PROCEEDS

The Fund estimates the net proceeds of the Offer to be \$[], based on the Subscription Price per share of \$[], assuming all new Common Shares offered are sold and that the expenses related to the Offer estimated at approximately \$[] are paid and after deduction of the underwriting discounts and commissions.

The Investment Adviser expects that it will initially invest the proceeds of the offering in high-quality short-term debt securities and instruments. The Investment Adviser anticipates that the investment of the proceeds will be made in accordance with the Fund's investment objectives and policies as appropriate investment opportunities are identified, which is expected to

R-6

Table of Contents

be substantially completed within three months; however, the identification of appropriate investment opportunities pursuant to the Fund's investment style or changes in market conditions may cause the investment period to extend as long as six months.

CAPITALIZATION

[To be provided.]

PRICE RANGE OF COMMON SHARES

The following table sets forth for the quarters indicated, the high and low sale prices on the NYSE per share of our common shares and the net asset value and the premium or discount from net asset value per share at which the common shares were trading, expressed as a percentage of net asset value, at each of the high and low sale prices provided.

[To be provided.]

On _____, 2011, the last reported net asset value per Common Share was \$_____ and the last reported sales price per Common Share on the NYSE was \$__.

SPECIAL CHARACTERISTICS AND RISKS OF THE RIGHTS

[To be provided.]

TAXATION

[To be provided.]

LEGAL MATTERS

Certain legal matters will be passed on by Willkie Farr & Gallagher LLP, counsel to the Fund, in connection with this rights offering. Willkie Farr & Gallagher LLP may rely as to certain matters of Delaware law on the opinion of [].

R-7

Table of Contents

**The Gabelli Utility Trust
_____ Shares
Issuable Upon Exercise of Rights to
Subscribe to Such Common Shares
PROSPECTUS SUPPLEMENT
, 2011**

Until _____, 2011 (25 days after the date of this prospectus), all dealers that buy, sell or trade these securities, whether or not participating in this offering, may be required to deliver a Prospectus. This is in addition to each dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to its unsold allotments or subscriptions.

R-8

Table of Contents

The information in this Prospectus Supplement is not complete and may be changed. The Fund may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This Prospectus is not an offer to sell these securities and is not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

Filed Pursuant to Rule 497(c)
Registration Statement No. []

PROSPECTUS SUPPLEMENT
(To Prospectus dated _____, 2011)

_____ Rights for _____ Shares
Subscription Rights for _____% Series [] [] Preferred Shares
(Liquidation Preference \$[] per share)

The Gabelli Utility Trust (the Fund, we, us or our) is issuing subscription rights (the Rights) to our common shareholders to purchase shares of _____% Series [] [] Preferred Shares (the Series [] Preferred Shares).

The Fund is a non-diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended (the 1940 Act). The Fund's primary investment objective is long-term growth of capital and income. The Fund's investment adviser is Gabelli Funds, LLC (the Investment Adviser).

Our common shares are traded on the New York Stock Exchange (NYSE) under the symbol GUT. On _____, 2011 (the last trading date prior to the Common Shares trading ex-Rights), the last reported net asset value per Common Share was \$_____ and the last reported sales price per Common Share on the NYSE was \$_____.

An investment in the Fund is not appropriate for all investors. We cannot assure you that the Fund's investment objective will be achieved. You should read this Prospectus Supplement and the accompanying Prospectus before deciding whether to invest in preferred shares and retain it for future reference. The Prospectus Supplement and the accompanying Prospectus contain important information about us. Material that has been incorporated by reference and other information about us can be obtained from us by calling 800-GABELLI (422-3554) or from the Securities and Exchange Commission's (SEC) website (<http://www.sec.gov>). For additional information all holders of rights should contact the Information Agent, [], toll-free at [] or please send written request to: [].

Investing in preferred shares through Rights involves certain risks that are described in the Special Characteristics and Risks of the Rights Offering section beginning on page S-[] of the Prospectus Supplement.

NEITHER THE SEC NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS SUPPLEMENT IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

PR-1

Table of Contents

	Per Share	Total
Subscription price of Common Shares to shareholders exercising Rights	\$	\$
Underwriting discounts and commissions	[]	[]
Proceeds, before expenses, to the Fund (1)	\$	\$

(1) The aggregate expenses of the offering are estimated to be \$[].

The preferred shares are expected to be ready for delivery in book-entry form through the Depository Trust Company on or about _____, 2011. If the offer is extended, the preferred shares are expected to be ready for delivery in book-entry form through the Depository Trust Company on or about _____, 2011.

The date of this Prospectus Supplement is _____, 2011

PR-2

Table of Contents

You should rely only on the information contained or incorporated by reference in this Prospectus Supplement and the accompanying Prospectus. The Fund has not authorized anyone to provide you with different information. The Fund is not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained in this Prospectus Supplement and the accompanying Prospectus is accurate as of any date other than the date of this Prospectus Supplement and the accompanying Prospectus, respectively. Our business, financial condition, results of operations and prospects may have changed since those dates. In this Prospectus Supplement and in the accompanying Prospectus, unless otherwise indicated, Fund, us, our and we refer to The Gabelli Utility Trust. This Prospectus Supplement also includes trademarks owned by other persons.

TABLE OF CONTENTS
Prospectus Supplement

	Page
<u>SUMMARY OF THE TERMS OF THE RIGHTS OFFERING</u>	PR-5
<u>TERMS OF THE PREFERRED SHARES</u>	PR-6
<u>DESCRIPTION OF THE RIGHTS OFFERING</u>	PR-6
<u>USE OF PROCEEDS</u>	PR-6
<u>CAPITALIZATION</u>	PR-6
<u>ASSET COVERAGE RATIO</u>	PR-6
<u>SPECIAL CHARACTERISTICS AND RISKS OF THE RIGHTS OFFERING</u>	PR-6
<u>TAXATION</u>	PR-7
<u>UNDERWRITING</u>	PR-7
<u>LEGAL MATTERS</u>	PR-7

Prospectus

<u>PROSPECTUS SUMMARY</u>	[]
<u>SUMMARY OF FUND EXPENSES</u>	[]
<u>FINANCIAL HIGHLIGHTS</u>	[]
<u>USE OF PROCEEDS</u>	[]
<u>THE FUND</u>	[]
<u>INVESTMENT OBJECTIVES AND POLICIES</u>	[]
<u>RISK FACTORS AND SPECIAL CONSIDERATIONS</u>	[]
<u>MANAGEMENT OF THE FUND</u>	[]
<u>PORTFOLIO TRANSACTIONS</u>	[]
<u>DIVIDENDS AND DISTRIBUTIONS</u>	[]
<u>ISSUANCE OF COMMON SHARES</u>	[]
<u>AUTOMATIC DIVIDEND REINVESTMENT AND VOLUNTARY CASH PURCHASE PLAN</u>	[]
<u>DESCRIPTION OF THE SHARES</u>	[]
<u>ANTI-TAKEOVER PROVISIONS OF THE FUND'S GOVERNING DOCUMENTS</u>	[]
<u>CLOSED-END FUND STRUCTURE</u>	[]
<u>REPURCHASE OF COMMON SHARES</u>	[]
<u>RIGHTS OFFERINGS</u>	[]
<u>NET ASSET VALUE</u>	[]
<u>LIMITATION ON TRUSTEES AND OFFICERS LIABILITY</u>	[]
<u>TAXATION</u>	[]
<u>CUSTODIAN, TRANSFER AGENT AND DIVIDEND DISBURSING AGENT</u>	[]
<u>PLAN OF DISTRIBUTION</u>	[]
<u>LEGAL MATTERS</u>	[]

<u>INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	[]
<u>ADDITIONAL INFORMATION</u>	[]
<u>PRIVACY PRINCIPLES OF THE FUND</u>	[]
<u>TABLE OF CONTENTS OF STATEMENT OF ADDITIONAL INFORMATION</u>	[]

PR-3

Table of Contents

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus Supplement, the accompanying Prospectus and the Statement of Additional Information 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 such terms. Such forward-looking statements may be contained in this Prospectus Supplement as well as in the accompanying Prospectus. 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 our actual results are the performance of the portfolio of securities we hold, the price at which our shares will trade in the public markets and other factors discussed in our periodic filings with the SEC.

Although we believe that the expectations expressed in our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in our forward-looking statements. Our 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 Risk Factors and Special Considerations section of the accompanying Prospectus and Special Characteristics and Risks of the Rights Offering in this Prospectus Supplement. All forward-looking statements contained or incorporated by reference in this Prospectus Supplement or the accompanying Prospectus are made as of the date of this Prospectus Supplement or the accompanying Prospectus, as the case may be. Except for our ongoing obligations under the federal securities laws, we do not intend, and we undertake no obligation, to update any forward-looking statement. The forward-looking statements contained in this Prospectus Supplement, any accompanying Prospectus and the Statement of Additional Information are excluded from the safe harbor protection provided by Section 27A of the Securities Act of 1933, as amended (the Securities Act).

Currently known risk factors that could cause actual results to differ materially from our expectations include, but are not limited to, the factors described in the Risk Factors and Special Considerations section of the accompanying Prospectus as well as in the Special Characteristics and Risks of the Rights Offering section of this Prospectus Supplement. We urge you to review carefully those sections for a more detailed discussion of the risks of an investment in the preferred shares.

PR-4

Table of Contents

SUMMARY OF THE TERMS OF THE RIGHTS OFFERING

Terms of the Offer	[To be provided.]
Amount Available for Primary Subscription	[\$ []]
Title	Subscription Rights for Series [] Preferred Shares
Exercise Price	Rights may be exercised at a price of \$_____ per Preferred Share (the Subscription Price). <i>See Terms of the Offer.</i>
Record Date	Rights will be issued to holders of record of the Fund's Common Shares on _____, 2011 (the Record Date). <i>See Terms of the Offer.</i>
Number of Rights Issued	_____ Right will be issued in respect of each Common Share of the Fund outstanding on the Record Date. <i>See Terms of the Offer.</i>
Number of Rights Required to Purchase One Preferred Share	A holder of Rights may purchase _____ Preferred Share of the Fund for every _____ Rights exercised. The number of Rights to be issued to a shareholder on the Record Date will be rounded up to the nearest number of Rights evenly divisible by _____. <i>See Terms of the Offer.</i>
Over-Subscription Privilege	[To be provided.]
Transfer of Rights	[To be provided.]
Exercise Period	The Rights may be exercised at any time after issuance and prior to expiration of the Rights, which will be 5:00 PM Eastern Time on _____, 2011 (the Expiration Date) (the Subscription Period). <i>See Terms of the Offer and Method of Exercise of Rights.</i>
Offer Expenses	The expenses of the Offer are expected to be approximately \$[]. <i>See Use of Proceeds.</i>
Sale of Rights	[To be provided.]
Use of Proceeds	The Fund estimates the net proceeds of the Offer to be approximately \$[]. This figure is based on the Exercise Price per share of \$_____ and assumes all new Series [] Preferred Shares offered are sold and that the expenses related to the Offer estimated at approximately \$[] are paid. The Investment Adviser anticipates that investment of the proceeds will be made in accordance with the Fund's investment objectives and policies as appropriate investment opportunities are identified, which is expected to be substantially completed in approximately three months; however, the identification of appropriate investment opportunities pursuant to the Fund's investment style or changes in market conditions may cause the investment period to extend as long as six months. Pending such investment, the proceeds will be held in high quality short-term debt securities and instruments. <i>See Use of Proceeds .</i>

Taxation/ERISA *See Employee Plan Considerations.*

Rights Agent [To be provided.]

PR-5

Table of Contents

TERMS OF THE SERIES __ PREFERRED SHARES

Dividend Rate	The dividend rate [for the initial dividend period] ¹ will be __%.
Dividend Payment Rate	[Dividends will be paid when, as and if declared on _____, _____, _____, and _____, commencing _____.] ² The payment date for the initial dividend period will be _____.] ¹
[Regular Dividend Period	Regular dividend periods will be __days.] ¹
Liquidation Preference	\$ __ per share
[Non-Call Period	The shares may not be called for redemption at the option of the Fund prior to _____.] ²
[Stock Exchange Listing] ²	

1 Applicable only if the preferred shares being offered are auction rate shares.

2 Applicable only if the preferred shares being offered are fixed rate shares.

DESCRIPTION OF THE RIGHTS OFFERING

[To be provided.]

USE OF PROCEEDS

The Fund estimates the net proceeds of the Offer to be \$[], based on the Subscription Price per share of \$[], assuming all new Series [] Preferred Shares offered are sold and that the expenses related to the Offer estimated at approximately \$[] are paid and after deduction of the underwriting discounts and commissions.

The Investment Adviser expects that it will initially invest the proceeds of the offering in high-quality short-term debt securities and instruments. The Investment Adviser anticipates that the investment of the proceeds will be made in accordance with the Fund's investment objectives and policies as appropriate investment opportunities are identified, which is expected to be substantially completed within three months; however, the identification of appropriate investment opportunities pursuant to the Fund's investment style or changes in market conditions may cause the investment period to extend as long as six months.

CAPITALIZATION

[To be provided.]

ASSET COVERAGE RATIO

[To be provided.]

SPECIAL CHARACTERISTICS AND RISKS OF THE RIGHTS

[To be provided.]

PR-6

Table of Contents

TAXATION

[To be provided.]

UNDERWRITING

[To be provided.]

LEGAL MATTERS

Certain legal matters will be passed on by Willkie Farr & Gallagher LLP, counsel to the Fund, in connection with this rights offering. Certain legal matters in connection with this offering will be passed on for the underwriters by []. Willkie Farr & Gallagher LLP may rely as to certain matters of Delaware law on the opinion of [].

PR-7

Table of Contents

The Gabelli Utility Trust
_____ Shares of _____% Series [] [] Preferred Shares
Issuable Upon Exercise of Rights to
Subscribe to Such Preferred Shares
PROSPECTUS SUPPLEMENT
, 2011

Until _____, 2011 (25 days after the date of this prospectus), all dealers that buy, sell or trade these securities, whether or not participating in this offering, may be required to deliver a Prospectus. This is in addition to each dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to its unsold allotments or subscriptions.

PR-8

Table of Contents

The information in this Prospectus Supplement is not complete and may be changed. The Fund may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This Prospectus is not an offer to sell these securities and is not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

Filed Pursuant to Rule 497
Registration Statement No. 333-[]

PROSPECTUS SUPPLEMENT
(To Prospectus dated _____, 2011)

_____ Notes [Specify Title]

We are offering for sale our notes at a principal amount per note of \$_____. Our common shares are listed on the New York Stock Exchange (the NYSE) under the symbol GUT. On [], 2011, the last reported sale price of our common shares was \$.

You should review the information set forth under Risk Factors and Special Considerations on page __ of the accompanying Prospectus before investing in our notes.

	Per Note	Total (1)
Public offering price	\$	\$
Underwriting discounts and commissions	\$	\$
Proceeds, before expenses, to us	\$	\$

(1) The aggregate expenses of the offering are estimated to be \$_____, which represents approximately \$_____ per note.

The notes will be ready for delivery on or about _____, ____.

You should read this Prospectus Supplement and the accompanying Prospectus before deciding whether to invest in our notes and retain it for future reference. The Prospectus Supplement and the accompanying Prospectus contain important information about us. Material that has been incorporated by reference and other information about us can be obtained from us by calling 800-GABELLI (422-3554) or from the Securities and Exchange Commission's (SEC) website (<http://www.sec.gov>).

NEITHER THE SEC NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS SUPPLEMENT IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Prospectus Supplement is _____, ____

N-1

Table of Contents

You should rely only on the information contained or incorporated by reference in this Prospectus Supplement and the accompanying Prospectus. The Fund has not authorized anyone to provide you with different information. The Fund is not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained in this Prospectus Supplement and the accompanying Prospectus is accurate as of any date other than the date of this Prospectus Supplement and the accompanying Prospectus, respectively. Our business, financial condition, results of operations and prospects may have changed since those dates. In this Prospectus Supplement and in the accompanying Prospectus, unless otherwise indicated, Fund, us, our and we refer to The Gabelli Utility Trust. This Prospectus Supplement also includes trademarks owned by other persons.

TABLE OF CONTENTS
Prospectus Supplement

	Page
<u>TERMS OF THE NOTES</u>	N-4
<u>USE OF PROCEEDS</u>	N-4
<u>CAPITALIZATION</u>	N-4
<u>ASSET COVERAGE RATIO</u>	N-4
<u>SPECIAL CHARACTERISTICS AND RISKS OF THE NOTES</u>	N-4
<u>TAXATION</u>	N-4
<u>UNDERWRITING</u>	N-4
<u>LEGAL MATTERS</u>	N-4

Prospectus

<u>PROSPECTUS SUMMARY</u>	[]
<u>SUMMARY OF FUND EXPENSES</u>	[]
<u>FINANCIAL HIGHLIGHTS</u>	[]
<u>USE OF PROCEEDS</u>	[]
<u>THE FUND</u>	[]
<u>INVESTMENT OBJECTIVES AND POLICIES</u>	[]
<u>RISK FACTORS AND SPECIAL CONSIDERATIONS</u>	[]
<u>MANAGEMENT OF THE FUND</u>	[]
<u>PORTFOLIO TRANSACTIONS</u>	[]
<u>DIVIDENDS AND DISTRIBUTIONS</u>	[]
<u>ISSUANCE OF COMMON SHARES</u>	[]
<u>AUTOMATIC DIVIDEND REINVESTMENT AND VOLUNTARY CASH PURCHASE PLAN</u>	[]
<u>DESCRIPTION OF THE SHARES</u>	[]
<u>ANTI-TAKEOVER PROVISIONS OF THE FUND'S GOVERNING DOCUMENTS</u>	[]
<u>CLOSED-END FUND STRUCTURE</u>	[]
<u>REPURCHASE OF COMMON SHARES</u>	[]
<u>RIGHTS OFFERINGS</u>	[]
<u>NET ASSET VALUE</u>	[]
<u>LIMITATION ON TRUSTEES AND OFFICERS' LIABILITY</u>	[]
<u>TAXATION</u>	[]
<u>CUSTODIAN, TRANSFER AGENT AND DIVIDEND DISBURSING AGENT</u>	[]
<u>PLAN OF DISTRIBUTION</u>	[]
<u>LEGAL MATTERS</u>	[]
<u>INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	[]
<u>ADDITIONAL INFORMATION</u>	[]

PRIVACY PRINCIPLES OF THE FUND

[]

TABLE OF CONTENTS OF STATEMENT OF ADDITIONAL INFORMATION

[]

N-2

Table of Contents

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus Supplement, the accompanying Prospectus and the Statement of Additional Information 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 such terms. Such forward-looking statements may be contained in this Prospectus Supplement as well as in the accompanying Prospectus. 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 our actual results are the performance of the portfolio of securities we hold, the price at which our shares will trade in the public markets and other factors discussed in our periodic filings with the SEC.

Although we believe that the expectations expressed in our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in our forward-looking statements. Our 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 Risk Factors and Special Considerations section of the accompanying Prospectus and Special Characteristics and Risks of the Notes in this Prospectus Supplement. All forward-looking statements contained or incorporated by reference in this Prospectus Supplement or the accompanying Prospectus are made as of the date of this Prospectus Supplement or the accompanying Prospectus, as the case may be. Except for our ongoing obligations under the federal securities laws, we do not intend, and we undertake no obligation, to update any forward-looking statement. The forward-looking statements contained in this Prospectus Supplement, any accompanying Prospectus and the Statement of Additional Information are excluded from the safe harbor protection provided by Section 27A of the Securities Act of 1933, as amended (the Securities Act).

Currently known risk factors that could cause actual results to differ materially from our expectations include, but are not limited to, the factors described in the Risk Factors and Special Considerations section of the accompanying Prospectus as well as in the Special Characteristics and Risks of the Notes section of this Prospectus Supplement. We urge you to review carefully those sections for a more detailed discussion of the risks of an investment in the notes.

N-3

Table of Contents

TERMS OF THE NOTES

Principal Amount The principal amount of the notes is \$_____ in the aggregate and \$_____ per note.

Maturity The principal amount of the notes will become due and payable on _____, __.

Interest Rate The interest rate will be ____%.

Frequency of payment Interest will be paid _____commencing _____.

Prepayment
Protections

USE OF PROCEEDS

We estimate the total net proceeds of the offering to be \$_____, based on the public offering price of \$_____ per note and after deduction of the underwriting discounts and commissions and estimated offering expenses payable by us.

The Investment Adviser expects that it will initially invest the proceeds of the offering in high-quality short-term income securities and instruments. The Investment Adviser anticipates that the investment of the proceeds will be made in accordance with the Fund's investment objective and policies as appropriate investment opportunities are identified, which is expected to be substantially completed within three months; however, changes in market conditions could result in the Fund's anticipated investment period extending to as long as six months.

CAPITALIZATION

[To be provided.]

ASSET COVERAGE RATIO

[To be provided.]

SPECIAL CHARACTERISTICS AND RISKS OF THE NOTES

[To be provided.]

TERMS OF THE NOTES

[To be provided.]

TAXATION

[To be provided.]

UNDERWRITING

[To be provided.]

N-4

Table of Contents

LEGAL MATTERS

Certain legal matters will be passed on by Willkie Farr & Gallagher LLP, counsel to the Fund, in connection with the offering of the notes. Certain legal matters in connection with this offering will be passed on for the underwriters by []. Willkie Farr & Gallagher LLP may rely as to certain matters of Delaware law on the opinion of [].

N-5

Table of Contents

The Gabelli Utility Trust
_____ Notes
PROSPECTUS SUPPLEMENT
, 2011

Until _____, 2011 (25 days after the date of this prospectus), all dealers that buy, sell or trade these securities, whether or not participating in this offering, may be required to deliver a Prospectus. This is in addition to each dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to its unsold allotments or subscriptions.

N-6

Table of Contents

Subject to Completion, Dated May 19, 2011

THE GABELLI UTILITY TRUST

STATEMENT OF ADDITIONAL INFORMATION

THE INFORMATION IN THIS STATEMENT OF ADDITIONAL INFORMATION IS NOT COMPLETE AND MAY BE CHANGED. THE FUND MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS STATEMENT OF ADDITIONAL INFORMATION IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

The Gabelli Utility Trust (the Fund) is a non-diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended (the 1940 Act). The Fund s primary investment objective is long-term growth of capital and income. The Fund will invest at least 80% of its assets, under normal market conditions, in common stocks and other securities of foreign and domestic companies involved in providing products, services, or equipment for (i) the generation or distribution of electricity, gas, and water and (ii) telecommunications services or infrastructure operations (collectively, the Utility Industry). The Fund commenced investment operations on July 9, 1999. Gabelli Funds, LLC (the Investment Adviser) serves as investment adviser to the Fund.

This Statement of Additional Information (the SAI) does not constitute a prospectus, but should be read in conjunction with the Fund s Prospectus relating thereto dated [_____] , 2011, and as it may be supplemented. This SAI does not include all information that a prospective investor should consider before investing in the Fund s shares, and investors should obtain and read the Fund s prospectus prior to purchasing such shares. A copy of the Fund s Registration Statement, including the prospectus and any supplement, may be obtained from the SEC upon payment of the fee prescribed, or inspected at the SEC s office or via its website (<http://www.sec.gov>) at no charge.

This SAI is dated [_____] , 2011.

Table of Contents

TABLE OF CONTENTS

	Page
<u>The Fund</u>	3
<u>Investment Objectives and Policies</u>	3
<u>Investment Restrictions</u>	12
<u>Management of The Fund</u>	12
<u>Dividends and Distributions</u>	25
<u>Auctions for Auction Rate Preferred Shares</u>	25
<u>Portfolio Transactions</u>	28
<u>Portfolio Turnover</u>	29
<u>Taxation</u>	29
<u>Beneficial Owners</u>	34
<u>General Information</u>	34
<u>Appendix A Proxy Voting Policy</u>	A-1

Table of Contents

THE FUND

The Fund was organized under the laws of the State of Delaware on February 25, 1999 and is a non-diversified, closed-end management investment company registered under the 1940 Act. The Fund's investment operations commenced on July 9, 1999. The common shares of the Fund are listed and traded on the New York Stock Exchange (the NYSE) under the symbol GUT. The Fund's 5.625% Series A Cumulative Preferred Shares (the Series A Preferred) are listed and traded on the NYSE under the symbol GUT PrA.

INVESTMENT OBJECTIVES AND POLICIES

Investment Objective

The Fund's primary investment objective is long-term growth of capital and income. The Fund will invest at least 80% of its assets, under normal market conditions, in common stocks and other securities of foreign and domestic companies involved in providing products, services, or equipment for (i) the generation or distribution of electricity, gas, and water and (ii) telecommunications services or infrastructure operations (collectively, the Utility Industry). See

Investment Objective and Policies in the Prospectus.

Investment Practices

Securities Subject to Reorganization. The Fund may invest without limit in securities of companies for which a tender or exchange offer has been made or announced and in securities of companies for which a merger, consolidation, liquidation or reorganization proposal has been announced if, in the judgment of the Investment Adviser, there is a reasonable prospect of high total return significantly greater than the brokerage and other transaction expenses involved.

In general, securities which are the subject of such an offer or proposal sell at a premium to their historic market price immediately prior to the announcement of the offer or may also discount what the stated or appraised value of the security would be if the contemplated transaction were approved or consummated. Such investments may be advantageous when the discount significantly overstates the risk of the contingencies involved; significantly undervalues the securities, assets or cash to be received by shareholders of the prospective portfolio company as a result of the contemplated transaction; or fails adequately to recognize the possibility that the offer or proposal may be replaced or superseded by an offer or proposal of greater value. The evaluation of such contingencies requires unusually broad knowledge and experience on the part of the Adviser which must appraise not only the value of the issuer and its component businesses as well as the assets or securities to be received as a result of the contemplated transaction but also the financial resources and business motivation of the offer and/or the dynamics and business climate when the offer or proposal is in process. Since such investments are ordinarily short-term in nature, they will tend to increase the turnover ratio of the Fund, thereby increasing its brokerage and other transaction expenses. The Adviser intends to select investments of the type described which, in its view, have a reasonable prospect of capital appreciation which is significant in relation to both risk involved and the potential of available alternative investments.

Temporary Investments. Although under normal market conditions at least 80% of the Fund's total assets will consist of common stock and other securities of foreign and domestic companies involved in the Utility Industry, when a temporary defensive posture is believed by the Investment Adviser to be warranted (temporary defensive periods), the Fund may without limitation hold cash or invest its assets in money market instruments and repurchase agreements in respect of those instruments. The money market instruments in which the Fund may invest are obligations of the United States government, its agencies or instrumentalities (U.S. Government Securities); commercial paper rated A-1 or higher by Standard & Poor's, a Division of The McGraw-Hill Companies, Inc. (S&P) or Prime-1 by Moody's Investors Service, Inc. (Moody's); and certificates of deposit and bankers' acceptances issued by domestic branches of U.S. banks that are members of the Federal Deposit Insurance Corporation. During temporary defensive periods, the Fund may also invest to the extent permitted by applicable law in shares of money market mutual funds. Money market mutual funds are investment companies and the investments in those companies in some cases by the Fund are subject to certain fundamental investment restrictions and applicable law. See Investment Restrictions. As a shareholder in a mutual fund, the Fund will bear its ratable share of its expenses, including management fees, and will remain subject to payment of the fees to the Investment Adviser, with respect to assets so invested.

Lower Grade Securities. The Fund may invest up to 25% of its total assets in fixed income securities rated below investment grade by recognized statistical rating agencies or unrated securities of comparable quality. These securities, which may be preferred stock or debt, are predominantly speculative and involve major risk exposure to adverse conditions. Debt

Table of Contents

securities that are not rated or that are rated lower than BBB by S&P or lower than Baa by Moody's are referred to in the financial press as junk bonds.

Generally, such lower grade securities and unrated securities of comparable quality offer a higher current yield than is offered by higher rated securities, but also (i) will likely have some quality and protective characteristics that, in the judgment of the rating organizations, are outweighed by large uncertainties or major risk exposures to adverse conditions and (ii) are predominantly speculative with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligation. The market values of certain of these securities also tend to be more sensitive to individual corporate developments and changes in economic conditions than higher quality securities. In addition, such securities generally present a higher degree of credit risk. The risk of loss due to default by these issuers is significantly greater because such lower grade securities and unrated securities of comparable quality generally are unsecured and frequently are subordinated to the prior payment of senior indebtedness. In light of these risks, the Investment Adviser, in evaluating the creditworthiness of an issue, whether rated or unrated, will take various factors into consideration, which may include, as applicable, the issuer's operating history, financial resources and its sensitivity to economic conditions and trends, the market support for the facility financed by the issue, the perceived ability and integrity of the issuer's management and regulatory matters.

In addition, the market value of securities in lower grade securities is more volatile than that of higher quality securities, and the markets in which such lower grade or unrated securities are traded are more limited than those in which higher rated securities are traded. The existence of limited markets may make it more difficult for the Fund to obtain accurate market quotations for purposes of valuing its portfolio and calculating its net asset value (NAV). Moreover, the lack of a liquid trading market may restrict the availability of securities for the Fund to purchase and may also have the effect of limiting the ability of the Fund to sell securities at their fair value in response to changes in the economy or the financial markets.

Lower grade securities also present risks based on payment expectations. If an issuer calls the obligation for redemption (often a feature of fixed income securities), the Fund may have to replace the security with a lower yielding security, resulting in a decreased return for investors. Also, as the principal value of nonconvertible bonds and preferred stocks moves inversely with movements in interest rates, in the event of rising interest rates, the value of the securities held by the Fund may decline proportionately more than a portfolio consisting of higher rated securities. Investments in zero coupon bonds may be more speculative and subject to greater fluctuations in value due to changes in interest rates than bonds that pay regular income streams.

The Fund may invest up to 10% of its total assets in securities of issuers in default. The Fund will make an investment in securities of issuers in default only when the Investment Adviser believes that such issuers will honor their obligations or emerge from bankruptcy protection under a plan pursuant to which the securities received by the Fund in exchange for its defaulted securities will have a value in excess of the Fund's investment. By investing in securities of issuers in default, the Fund bears the risk that these issuers will not continue to honor their obligations or emerge from bankruptcy protection or that the value of the securities will not otherwise appreciate.

In addition to using recognized rating agencies and other sources, the Investment Adviser also performs its own analysis of issues in seeking investments that it believes to be underrated (and thus higher yielding) in light of the financial condition of the issuer. Its analysis of issuers may include, among other things, current and anticipated cash flow and borrowing requirements, value of assets in relation to historical cost, strength of management, responsiveness to business conditions, credit standing, and current anticipated results of operations. In selecting investments for the Fund, the Investment Adviser may also consider general business conditions, anticipated changes in interest rates, and the outlook for specific industries.

Subsequent to its purchase by the Fund, an issue of securities may cease to be rated or its rating may be reduced. In addition, it is possible that statistical rating agencies may change their ratings of a particular issue to reflect subsequent events. Moreover, such ratings do not assess the risk of a decline in market value. None of these events will require the sale of the securities by the Fund, although the Investment Adviser will consider these events in determining whether the Fund should continue to hold the securities.

The market for lower grade and comparable unrated securities has experienced several periods of significantly adverse price and liquidity, particularly at or around times of economic recessions. Past market recessions have

adversely affected the value of such securities as well as the ability of certain issuers of such securities to repay principal and pay interest thereon or to refinance such securities. The market for those securities may react in a similar fashion in the future.

Options. The Fund may, subject to guidelines of the Board of Trustees of the Fund (the Board), purchase or sell (i.e., write) options on securities, securities indices and foreign currencies which are listed on a national securities exchange or in the United States over-the-counter (OTC) markets as a means of achieving additional return or of hedging the value of the Fund s portfolio.

Table of Contents

A call option is a contract that gives the holder of the option the right to buy from the writer (seller) of the call option, in return for a premium paid, the security or currency underlying the option at a specified exercise price at any time during the term of the option. The writer of the call option has the obligation, upon exercise of the option, to deliver the underlying security or currency upon payment of the exercise price during the option period.

A put option is the reverse of a call option, giving the holder the right, in return for a premium, to sell the underlying security or currency to the writer, at a specified price, and obligating the writer to purchase the underlying security or currency from the holder at that price. The writer of the put, who receives the premium, has the obligation to buy the underlying security or currency upon exercise, at the exercise price during the option period.

If the Fund has written an option, it may terminate its obligation by effecting a closing purchase transaction. This is accomplished by purchasing an option of the same series as the option previously written. There can be no assurance that a closing purchase transaction can be effected when the Fund so desires.

An exchange-traded option may be closed out only on an exchange that provides a secondary market for an option of the same series. Although the Fund will generally purchase or write only those options for which there appears to be an active secondary market, there is no assurance that a liquid secondary market on an exchange will exist for any particular option.

A call option is covered if the Fund owns the underlying instrument covered by the call or has an absolute and immediate right to acquire that instrument without additional cash consideration upon conversion or exchange of another instrument held in its portfolio (or for additional cash consideration held in a segregated account by its custodian). A call option is also covered if the Fund holds a call on the same instrument as the call written where the exercise price of the call held is (i) equal to or less than the exercise price of the call written or (ii) greater than the exercise price of the call written if the difference is maintained by the Fund in cash, direct obligations of the United States or by its agencies or instrumentalities that are entitled to the full faith and credit of the United States and that, other than United States Treasury Bills, provide for the periodic payment of interest and the full payment of principal at maturity or call for redemption or other high-grade short-term obligations in a segregated account with its custodian. A put option is covered if the Fund maintains cash or other high grade short-term obligations with a value equal to the exercise price in a segregated account with its custodian, or else holds a put on the same instrument as the put written where the exercise price of the put held is equal to or greater than the exercise price of the put written. If the Fund has written an option, it may terminate its obligation by effecting a closing purchase transaction. This is accomplished by purchasing an option of the same series as the option previously written. However, once the Fund has been assigned an exercise notice, the Fund will be unable to effect a closing purchase transaction. Similarly, if the Fund is the holder of an option it may liquidate its position by effecting a closing sale transaction. This is accomplished by selling an option of the same series as the option previously purchased. There can be no assurance that either a closing purchase or sale transaction can be effected when the Fund so desires.

The Fund will realize a profit from a closing transaction if the price of the transaction is less than the premium received from writing the option or is more than the premium paid to purchase the option; the Fund will realize a loss from a closing transaction if the price of the transaction is more than the premium received from writing the option or is less than the premium paid to purchase the option. Since call option prices generally reflect increases in the price of the underlying security, any loss resulting from the repurchase of a call option may also be wholly or partially offset by unrealized appreciation of the underlying security. Other principal factors affecting the market value of a put or call option include supply and demand, interest rates, the current market price and price volatility of the underlying security and the time remaining until the expiration date. Gains and losses on investments in options depend, in part, on the ability of the Investment Adviser to predict correctly the effect of these factors. The use of options cannot serve as a complete hedge since the price movement of securities underlying the options will not necessarily follow the price movements of the portfolio securities subject to the hedge.

An option position may be closed out only on an exchange that provides a secondary market for an option of the same series or in a private transaction. Although the Fund will generally purchase or write only those options for which there appears to be an active secondary market, there is no assurance that a liquid secondary market on an exchange will exist for any particular option. In such event, it might not be possible to effect closing transactions in particular options, so the Fund would have to exercise its options in order to realize any profit and would incur

brokerage commissions upon the exercise of call options and upon the subsequent disposition of underlying securities for the exercise of put options. If the Fund, as a covered call option writer, is unable to effect a closing purchase transaction in a secondary market, it will not be able to sell the underlying security until the option expires or until the Fund delivers the underlying security upon exercise or otherwise covers the position.

Table of Contents

In addition to options on securities, the Fund may also purchase and sell call and put options on securities indices. A stock index reflects in a single number the market value of many different stocks.

Relative values are assigned to the stocks included in an index and the index fluctuates with changes in the market values of the stocks. The options give the holder the right to receive a cash settlement during the term of the option based on the difference between the exercise price and the value of the index. By writing a put or call option on a securities index, the Fund is obligated, in return for the premium received, to make delivery of this amount. The Fund may offset its position in the stock index options prior to expiration by entering into a closing transaction on an exchange, or it may let the option expire unexercised.

Use of options on securities indices entails the risk that trading in the options may be interrupted if trading in certain securities included in the index is interrupted. The Fund will not purchase these options unless the Investment Adviser is satisfied with the development, depth and liquidity of the market and the Investment Adviser believes the options can be closed out.

Price movements in the portfolio of the Fund may not correlate precisely with the movements in the level of an index and, therefore, the use of options on indices cannot serve as a complete hedge and will depend, in part, on the ability of the Investment Adviser to predict correctly movements in the direction of the stock market generally or of a particular industry. Because options on securities indices require settlement in cash, the Fund may be forced to liquidate portfolio securities to meet settlement obligations.

The Fund may also buy or sell put and call options on foreign currencies. A put option on a foreign currency gives the purchaser of the option the right to sell a foreign currency at the exercise price until the option expires. A call option on a foreign currency gives the purchaser of the option the right to purchase the currency at the exercise price until the option expires. Currency options traded on U.S. or other exchanges may be subject to position limits which may limit the ability of the Fund to reduce foreign currency risk using such options. Over-the-counter options differ from exchange-traded options in that they are two-party contracts with price and other terms negotiated between buyer and seller and generally do not have as much market liquidity as exchange-traded options. Over-the-counter options are considered illiquid securities.

Although the Investment Adviser will attempt to take appropriate measures to minimize the risks relating to the Fund's writing of put and call options, there can be no assurance that the Fund will succeed in any option writing program it undertakes.

Futures Contracts and Options on Futures. The Fund will not enter into futures contracts or options on futures contracts unless (i) the aggregate initial margins and premiums do not exceed 5% of the fair market value of its assets and (ii) the aggregate market value of its outstanding futures contracts and the market value of the currencies and futures contracts subject to outstanding options written by the Fund do not exceed 50% of the market value of its total assets. It is anticipated that these investments, if any, will be made by the Fund solely for the purpose of hedging against changes in the value of its portfolio securities and in the value of securities it intends to purchase. Such investments will only be made if they are economically appropriate to the reduction of risks involved in the management of the Fund. In this regard, the Fund may enter into futures contracts or options on futures for the purchase or sale of securities indices or other financial instruments including but not limited to U.S. government securities.

A sale of a futures contract (or a short futures position) means the assumption of a contractual obligation to deliver the assets underlying the contract at a specified price at a specified future time. A purchase of a futures contract (or a long futures position) means the assumption of a contractual obligation to acquire the assets underlying the contract at a specified price at a specified future time. Certain futures contracts, including stock and bond index futures, are settled on a net cash payment basis rather than by the sale and delivery of the assets underlying the futures contracts. No consideration will be paid or received by the Fund upon the purchase or sale of a futures contract. Initially, the Fund will be required to deposit with the broker an amount of cash or cash equivalents equal to approximately 1% to 10% of the contract amount (this amount is subject to change by the exchange or board of trade on which the contract is traded and brokers or members of such board of trade may charge a higher amount). This amount is known as initial margin and is in the nature of a performance bond or good faith deposit on the contract. Subsequent payments, known as variation margin, to and from the broker will be made daily as the price of the index or security underlying the

futures contracts fluctuates. At any time prior to the expiration of a futures contract, the Fund may close the position by taking an opposite position, which will operate to terminate its existing position in the contract.

An option on a futures contract gives the purchaser the right, in return for the premium paid, to assume a position in a futures contract at a specified exercise price at any time prior to the expiration of the option. Upon exercise of an option, the delivery of the futures positions by the writer of the option to the holder of the option will be accompanied by delivery of the

Table of Contents

accumulated balance in the writer's futures margin account attributable to that contract, which represents the amount by which the market price of the futures contract exceeds, in the case of a call, or is less than, in the case of a put, the exercise price of the option on the futures contract. The potential loss related to the purchase of an option on futures contracts is limited to the premium paid for the option (plus transaction costs). Because the value of the option purchased is fixed at the point of sale, there are no daily cash payments by the purchaser to reflect changes in the value of the underlying contract; however, the value of the option does change daily and that change would be reflected in the net assets of the Fund.

Futures and options on futures entail certain risks, including but not limited to the following: no assurance that futures contracts or options on futures can be offset at favorable prices, possible reduction of the yield of the Fund due to the use of hedging, possible reduction in value of both the securities hedged and the hedging instrument, possible lack of liquidity due to daily limits on price fluctuations, imperfect correlation between the contracts and the securities being hedged, losses from investing in futures transactions that are potentially unlimited and the segregation requirements described below.

In the event the Fund sells a put option or enters into long futures contracts, under current interpretations of the 1940 Act, an amount of cash, obligations of the U.S. government and its agencies and instrumentalities or other liquid securities equal to the market value of the contract must be deposited and maintained in a segregated account with the custodian of the Fund to collateralize the positions, thereby ensuring that the use of the contract is unleveraged. For short positions in futures contracts and sales of call options, the Fund may establish a segregated account (not with a futures commission merchant or broker) with cash or liquid securities that, when added to amounts deposited with a futures commission merchant or a broker as margin, equal the market value of the instruments or currency underlying the futures contract or call option or the market price at which the short positions were established.

Forward Currency Exchange Contracts. The Fund may engage in currency transactions other than on futures exchanges to protect against future changes in the level of future currency exchange rates. The Fund will conduct such currency exchange transactions either on a spot (i.e., cash) basis at the rate then prevailing in the currency exchange market or on a forward basis, by entering into forward contracts to purchase or sell currency. A forward contract on foreign currency involves an obligation to purchase or sell a specific currency at a future date, which may be any fixed number of days agreed upon by the parties from the date of the contract, at a price set on the date of the contract. Dealing in forward currency exchange will be limited to hedging involving either specific transactions or portfolio positions. Transaction hedging is the purchase or sale of forward currency with respect to specific receivables or payables of the Fund generally arising in connection with the purchase or sale of its portfolio securities and accruals of interest receivable and Fund expenses. Position hedging is the forward sale of currency with respect to portfolio security positions denominated or quoted in that currency or in a currency bearing a high degree of positive correlation to the value of that currency.

The Fund may not position hedge with respect to a particular currency for an amount greater than the aggregate market value (determined at the time of making any sale of forward currency) of the securities held in its portfolio denominated or quoted in, or currently convertible into, such currency. If the Fund enters into a position hedging transaction, the Fund's custodian or subcustodian will place cash or other liquid securities in a segregated account of the Fund in an amount equal to the value of the Fund's total assets committed to the consummation of the given forward contract. If the value of the securities placed in the segregated account declines, additional cash or securities will be placed in the account so that the value of the account will, at all times, equal the amount of the Fund's commitment with respect to the forward contract.

At or before the maturity of a forward sale contract, the Fund may either sell a portfolio security and make delivery of the currency, or retain the security and offset its contractual obligations to deliver the currency by purchasing a second contract pursuant to which the Fund will obtain, on the same maturity date, the same amount of the currency which it is obligated to deliver. If the Fund retains the portfolio security and engages in an offsetting transaction, the Fund, at the time of execution of the offsetting transaction, will incur a gain or a loss to the extent that movement has occurred in forward contract prices. Should forward prices decline during the period between the Fund's entering into a forward contract for the sale of a currency and the date it enters into an offsetting contract for the purchase of the currency, the Fund will realize a gain to the extent the price of the currency it has agreed to purchase is less than the

price of the currency it has agreed to sell. Should forward prices increase, the Fund will suffer a loss to the extent the price of the currency it has agreed to purchase exceeds the price of the currency it has agreed to sell. Closing out forward purchase contracts involves similar offsetting transactions.

The cost to the Fund of engaging in currency transactions varies with factors such as the currency involved, the length of the contract period and the market conditions then prevailing. Because forward transactions in currency exchange are usually conducted on a principal basis, no fees or commissions are involved. The use of foreign currency contracts does not eliminate fluctuations in the underlying prices of the securities, but it does establish a rate of exchange that can be achieved in the future. In addition, although forward currency contracts limit the risk of loss due to a decline in the value of the hedged currency, they also limit any potential gain that might result if the value of the currency increases.

Table of Contents

If a decline in any currency is generally anticipated by the Investment Adviser, the Fund may not be able to contract to sell the currency at a price above the level to which the currency is anticipated to decline.

Interest Rate Futures Contracts and Options Thereon. The Fund may purchase or sell interest rate futures contracts to take advantage of, or to protect the Fund against fluctuations in interest rates affecting the value of debt securities which the Fund holds or intends to acquire. For example, if interest rates are expected to increase, the Fund might sell futures contracts on debt securities the values of which historically have a high degree of positive correlation to the values of the Fund's portfolio securities. Such a sale would have an effect similar to selling an equivalent value of the Fund's portfolio securities. If interest rates increase, the value of the Fund's portfolio securities will decline, but the value of the futures contracts to the Fund will increase at approximately an equivalent rate, thereby keeping the NAV of the Fund from declining as much as it otherwise would have. The Fund could accomplish similar results by selling debt securities with longer maturities and investing in debt securities with shorter maturities when interest rates are expected to increase. However, since the futures market may be more liquid than the cash market, the use of futures contracts as a risk management technique allows the Fund to maintain a defensive position without having to sell its portfolio securities.

Similarly, the Fund may purchase interest rate futures contracts when it is expected that interest rates may decline. The purchase of futures contracts for this purpose constitutes a hedge against increases in the price of debt securities (caused by declining interest rates) which the Fund intends to acquire. Since fluctuations in the value of appropriately selected futures contracts should approximate that of the debt securities that will be purchased, the Fund can take advantage of the anticipated rise in the cost of the debt securities without actually buying them. Subsequently, the Fund can make its intended purchase of the debt securities in the cash market and concurrently liquidate its futures position. To the extent the Fund enters into futures contracts for this purpose, it will maintain, in a segregated asset account with the Fund's custodian, assets sufficient to cover the Fund's obligations with respect to such futures contracts, which will consist of cash or other liquid securities from its portfolio in an amount equal to the difference between the fluctuating market value of such futures contracts and the aggregate value of the initial margin deposited by the Fund with its custodian with respect to such futures contracts.

The purchase of a call option on a futures contract is similar in some respects to the purchase of a call option on an individual security. Depending on the pricing of the option compared to either the price of the futures contract upon which it is based or the price of the underlying debt securities, it may or may not be less risky than ownership of the futures contract or underlying debt securities. As with the purchase of futures contracts, when the Fund is not fully invested it may purchase a call option on a futures contract to hedge against a market advance due to declining interest rates.

The purchase of a put option on a futures contract is similar to the purchase of protective put options on portfolio securities. The Fund will purchase a put option on a futures contract to hedge its portfolio against the risk of rising interest rates and consequent reduction in the value of portfolio securities.

The writing of a call option on a futures contract constitutes a partial hedge against declining prices of the securities that are deliverable upon exercise of the futures contract. If the futures price at expiration of the option is below the exercise price, the Fund will retain the full amount of the option premium, which provides a partial hedge against any decline that may have occurred in the its portfolio holdings. The writing of a put option on a futures contract constitutes a partial hedge against increasing prices of the securities that are deliverable upon exercise of the futures contract. If the futures price at expiration of the option is higher than the exercise price, the Fund will retain the full amount of the option premium, which provides a partial hedge against any increase in the price of debt securities that it intends to purchase. If a put or call option the Fund has written is exercised, the Fund will incur a loss which will be reduced by the amount of the premium it received. Depending on the degree of correlation between changes in the value of its portfolio securities and changes in the value of its futures positions, the Fund's losses from options on futures it has written may to some extent be reduced or increased by changes in the value of its portfolio securities.

Currency Futures and Options Thereon. Generally, foreign currency futures contracts and options thereon are similar to the interest rate futures contracts and options thereon discussed previously. By entering into currency futures and options thereon, the Fund will seek to establish the rate at which it will be entitled to exchange U.S.

dollars for another currency at a future time. By selling currency futures, the Fund will seek to establish the number of dollars it will receive at delivery for a certain amount of a foreign currency. In this way, whenever the Fund anticipates a decline in the value of a foreign currency against the U.S. dollar, the Fund can attempt to lock in the U.S. dollar value of some or all of the securities held in its portfolio that are denominated in that currency. By purchasing currency futures, the Fund can establish the number of dollars it will be required to pay for a specified amount of a foreign currency in a future month. Thus, if the Fund intends to buy securities in the future and expects the U.S. dollar to decline against the relevant foreign currency during the period before the purchase is effected, the Fund can attempt to lock in the price in U.S. dollars of the securities it intends to acquire.

Table of Contents

The purchase of options on currency futures will allow the Fund, for the price of the premium and related transaction costs it must pay for the option, to decide whether or not to buy (in the case of a call option) or to sell (in the case of a put option) a futures contract at a specified price at any time during the period before the option expires. If the Investment Adviser, in purchasing an option, has been correct in its judgment concerning the direction in which the price of a foreign currency would move as against the U.S. dollar, the Fund may exercise the option and thereby take a futures position to hedge against the risk it had correctly anticipated or close out the option position at a gain that will offset, to some extent, currency exchange losses otherwise suffered by the Fund. If exchange rates move in a way the Fund did not anticipate, however, the Fund will have incurred the expense of the option without obtaining the expected benefit; any such movement in exchange rates may also thereby reduce, rather than enhance, the Fund's profits on its underlying securities transactions.

Securities Index Futures Contracts and Options Thereon. Purchases or sales of securities index futures contracts are used for hedging purposes to attempt to protect the Fund's current or intended investments from broad fluctuations in stock or bond prices. For example, the Fund may sell securities index futures contracts in anticipation of or during a market decline to attempt to offset the decrease in market value of the its securities portfolio that might otherwise result. If such decline occurs, the loss in value of portfolio securities may be offset, in whole or part, by gains on the futures position. When the Fund is not fully invested in the securities market and anticipates a significant market advance, it may purchase securities index futures contracts in order to gain rapid market exposure that may, in part or entirely, offset increases in the cost of securities that it intends to purchase. As such purchases are made, the corresponding positions in securities index futures contracts will be closed out. The Fund may write put and call options on securities index futures contracts for hedging purposes.

Limitations on the Purchase and Sale of Futures Contracts and Options on Futures Contracts. The Investment Adviser has claimed an exclusion from the definition of the term "commodity pool operator" under the Commodity Exchange Act and therefore is not subject to registration under the Commodity Exchange Act. Accordingly, the Fund's investments in derivative instruments described in the Prospectus and this SAI are not limited by or subject to regulation under the Commodity Exchange Act or otherwise regulated by the Commodity Futures Trading Commission. Nevertheless, the Fund's investment restrictions place certain limitations and prohibitions on the Fund's ability to purchase or sell commodities or commodity contracts. See "Investment Restrictions." Under these restrictions, the Fund may not enter into futures contracts or options on futures contracts unless (i) the aggregate initial margins and premiums do not exceed 5% of the fair market value of the Fund's total assets and (ii) the aggregate market value of the Fund's outstanding futures contracts and the market value of the currencies and futures contracts subject to outstanding options written by the Fund, as the case may be, do not exceed 50% of the market value of the Fund's total assets. In addition, investment in futures contracts and related options generally will be limited by the rating agency guidelines applicable to any of the Fund's preferred shares.

Special Risk Considerations Relating to Futures and Options Thereon. The ability to establish and close out positions in futures contracts and options thereon will be subject to the development and maintenance of liquid markets. Although the Fund generally will purchase or sell only those futures contracts and options thereon for which there appears to be a liquid market, there is no assurance that a liquid market on an exchange will exist for any particular futures contract or option thereon at any particular time.

In the event no liquid market exists for a particular futures contract or option thereon in which the Fund maintains a position, it will not be possible to effect a closing transaction in that contract or to do so at a satisfactory price and the Fund would have to either make or take delivery under the futures contract or, in the case of a written option, wait to sell the underlying securities until the option expires or is exercised or, in the case of a purchased option, exercise the option. In the case of a futures contract or an option thereon which the Fund has written and which the Fund is unable to close, the Fund would be required to maintain margin deposits on the futures contract or option thereon and to make variation margin payments until the contract is closed.

Successful use of futures contracts and options thereon and forward contracts by the Fund is subject to the ability of the Investment Adviser to predict correctly movements in the direction of interest and foreign currency rates. If the Investment Adviser's expectations are not met, the Fund will be in a worse position than if a hedging strategy had not been pursued. For example, if the Fund has hedged against the possibility of an increase in interest rates that would

adversely affect the price of securities in its portfolio and the price of such securities increases instead, the Fund will lose part or all of the benefit of the increased value of its securities because it will have offsetting losses in its futures positions. In addition, in such situations, if the Fund has insufficient cash to meet daily variation margin requirements, it may have to sell securities to meet the requirements. These sales may be, but will not necessarily be, at increased prices which reflect the rising market. The Fund may have to sell securities at a time when it is disadvantageous to do so.

Additional Risks of Foreign Options, Futures Contracts, Options on Futures Contracts and Forward Contracts. Options, futures contracts and options thereon and forward contracts on securities and currencies may be traded on foreign exchanges.

Table of Contents

Such transactions may not be regulated as effectively as similar transactions in the U.S., may not involve a clearing mechanism and related guarantees, and are subject to the risk of governmental actions affecting trading in, or the prices of, foreign securities. The value of such positions also could be adversely affected by (i) other complex foreign political, legal and economic factors, (ii) lesser availability than in the U.S. of data on which to make trading decisions, (iii) delays in the Fund's ability to act upon economic events occurring in the foreign markets during non-business hours in the U.S., (iv) the imposition of different exercise and settlement terms and procedures and margin requirements than in the U.S. and (v) lesser trading volume.

Exchanges on which options, futures and options on futures are traded may impose limits on the positions that the Fund may take in certain circumstances.

Risks of Currency Transactions. Currency transactions are also subject to risks different from those of other portfolio transactions. Because currency control is of great importance to the issuing governments and influences economic planning and policy, purchases and sales of currency and related instruments can be adversely affected by government exchange controls, limitations or restrictions on repatriation of currency, and manipulation, or exchange restrictions imposed by governments. These forms of governmental action can result in losses to the Fund if it is unable to deliver or receive currency or monies in settlement of obligations and could also cause hedges it has entered into to be rendered useless, resulting in full currency exposure as well as incurring transaction costs.

Repurchase Agreements. The Fund may engage in repurchase agreements as set forth in the Prospectus. A repurchase agreement is an instrument under which the purchaser, i.e., the Fund, acquires a debt security and the seller agrees, at the time of the sale, to repurchase the obligation at a mutually agreed upon time and price, thereby determining the yield during the purchaser's holding period. This results in a fixed rate of return insulated from market fluctuations during such period. The underlying securities are ordinarily U.S. Treasury or other government obligations or high quality money market instruments. The Fund will require that the value of such underlying securities, together with any other collateral held by the Fund, always equals or exceeds the amount of the repurchase obligations of the counter party. The Fund's risk is primarily that, if the seller defaults, the proceeds from the disposition of the underlying securities and other collateral for the seller's obligation are less than the repurchase price. If the seller becomes insolvent, the Fund might be delayed in or prevented from selling the collateral. In the event of a default or bankruptcy by a seller, the Fund will promptly seek to liquidate the collateral. To the extent that the proceeds from any sale of such collateral upon a default in the obligation to repurchase are less than the repurchase price, the Fund will experience a loss.

If the financial institution which is a party to the repurchase agreement petitions for bankruptcy or becomes subject to the United States Bankruptcy Code, the law regarding the rights of the Fund is unsettled. As a result, under extreme circumstances, there may be a restriction on the Fund's ability to sell the collateral and the Fund would suffer a loss.

Loans of Portfolio Securities. Consistent with applicable regulatory requirements and the Fund's investment restrictions, the Fund may lend its portfolio securities to securities broker-dealers or financial institutions, *provided* that such loans are callable at any time by the Fund (subject to notice provisions described below), and are at all times secured by cash or cash equivalents, which are maintained in a segregated account pursuant to applicable regulations and that are at least equal to the market value, determined daily, of the loaned securities. The advantage of such loans is that the Fund continues to receive the income on the loaned securities while at the same time earns interest on the cash amounts deposited as collateral, which will be invested in short-term obligations. The Fund will not lend its portfolio securities if such loans are not permitted by the laws or regulations of any state in which its shares are qualified for sale. The Fund's loans of portfolio securities will be collateralized in accordance with applicable regulatory requirements and no loan will cause the value of all loaned securities to exceed 20% of the value of the Fund's total assets. The Fund's ability to lend portfolio securities will be limited by the rating agency guidelines applicable to any of the Fund's outstanding preferred shares.

A loan may generally be terminated by the borrower on one business day notice, or by the Fund on five business days notice. If the borrower fails to deliver the loaned securities within five days after receipt of notice, the Fund could use the collateral to replace the securities while holding the borrower liable for any excess of replacement cost over collateral. As with any extensions of credit, there are risks of delay in recovery and in some cases even loss of rights in the collateral should the borrower of the securities fail financially. However, these loans of portfolio

securities will only be made to firms deemed by the Fund's management to be creditworthy and when the income which can be earned from such loans justifies the attendant risks. The Board will oversee the creditworthiness of the contracting parties on an ongoing basis. Upon termination of the loan, the borrower is required to return the securities to the Fund. Any gain or loss in the market price during the loan period would inure to the Fund. The risks associated with loans of portfolio securities are substantially similar to those associated with repurchase agreements. Thus, if the counter party to the loan petitions for bankruptcy or becomes subject to the United States Bankruptcy Code, the law regarding the rights of the Fund is unsettled. As a result, under extreme

Table of Contents

circumstances, there may be a restriction on the Fund's ability to sell the collateral and the Fund would suffer a loss. When voting or consent rights which accompany loaned securities pass to the borrower, the Fund will follow the policy of calling the loaned securities, to be delivered within one day after notice, to permit the exercise of such rights if the matters involved would have a material effect on the Fund's investment in such loaned securities. The Fund will pay reasonable finder's, administrative and custodial fees in connection with a loan of its securities.

When Issued, Delayed Delivery Securities and Forward Commitments. The Fund may enter into forward commitments for the purchase or sale of securities, including on a when issued or delayed delivery basis, in excess of customary settlement periods for the type of security involved. In some cases, a forward commitment may be conditioned upon the occurrence of a subsequent event, such as approval and consummation of a merger, corporate reorganization or debt restructuring, i.e., a when, as and if issued security. When such transactions are negotiated, the price is fixed at the time of the commitment, with payment and delivery taking place in the future, generally a month or more after the date of the commitment. While it will only enter into a forward commitment with the intention of actually acquiring the security, the Fund may sell the security before the settlement date if it is deemed advisable.

Securities purchased under a forward commitment are subject to market fluctuation, and no interest (or dividends) accrues to the Fund prior to the settlement date. The Fund will segregate with its custodian cash or liquid securities in an aggregate amount at least equal to the amount of its outstanding forward commitments.

Short Sales. The Fund may make short sales of securities. A short sale is a transaction in which the Fund sells a security it does not own in anticipation that the market price of that security will decline. The market value of the securities sold short of any one issuer will not exceed either 5% of the Fund's total assets or 5% of such issuer's voting securities.

The Fund will not make a short sale, if, after giving effect to such sale, the market value of all securities sold short exceeds 25% of the value of its assets or the Fund's aggregate short sales of a particular class of securities exceeds 25% of the outstanding securities of that class. The Fund may also make short sales against the box without respect to such limitations. In this type of short sale, at the time of the sale, the Fund owns, or has the immediate and unconditional right to acquire at no additional cost, the identical security. The Fund expects to make short sales both to obtain capital gains from anticipated declines in securities and as a form of hedging to offset potential declines in long positions in the same or similar securities. The short sale of a security is considered a speculative investment technique. Short sales against the box may be subject to special tax rules, one of the effects of which may be to accelerate income to the Fund.

When the Fund makes a short sale, it must borrow the security sold short and deliver it to the broker-dealer through which it made the short sale in order to satisfy its obligation to deliver the security upon conclusion of the sale. The Fund may have to pay a fee to borrow particular securities and is often obligated to pay over any payments received on such borrowed securities.

The Fund's obligation to replace the borrowed security will be secured by collateral deposited with the broker-dealer, usually cash, U.S. government securities or other highly liquid debt securities. The Fund will also be required to deposit similar collateral with its custodian to the extent, if any, necessary so that the value of both collateral deposits in the aggregate is at all times equal to the greater of the price at which the security is sold short or 100% of the current market value of the security sold short. Depending on arrangements made with the broker-dealer from which it borrowed the security regarding payment over of any payments received by the Fund on such security, the Fund may not receive any payments (including interest) on its collateral deposited with such broker-dealer. If the price of the security sold short increases between the time of the short sale and the time the Fund replaces the borrowed security, the Fund will incur a loss; conversely, if the price declines, the Fund will realize a capital gain. Any gain will be decreased, any loss increased, by the transaction costs described above. Although the Fund's gain is limited to the price at which it sold the security short, its potential loss is theoretically unlimited.

To secure its obligations to deliver the securities sold short, the Fund will deposit in escrow in a separate account with its custodian, State Street Bank and Trust Company (State Street), an amount at least equal to the securities sold short or securities convertible into, or exchangeable for, the securities. The Fund may close out a short position by purchasing and delivering an equal amount of securities sold short, rather than by delivering securities already held by the Fund, because the Fund may want to continue to receive interest and dividend payments on securities in its

portfolio that are convertible into the securities sold short.

Repurchase Agreements. The Fund may engage in repurchase agreement transactions involving money market instruments with banks, registered broker-dealers and government securities dealers approved by the Adviser. The Fund will not enter into repurchase agreements with the Investment Adviser or any of its affiliates. Under the terms of a typical repurchase agreement, the Fund would acquire an underlying debt obligation for a relatively short period (usually not more

Table of Contents

than one week) subject to an obligation of the seller to repurchase, and the Fund to resell, the obligation at an agreed price and time, thereby determining the yield during its holding period. Thus, repurchase agreements may be seen to be loans by the Fund collateralized by the underlying debt obligation. This arrangement results in a fixed rate of return that is not subject to market fluctuations during the holding period. The value of the underlying securities will be at least equal to at all times to the total amount of the repurchase obligation, including interest. 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 in or prevented from exercising its rights to dispose of the collateral securities, including the risk of a possible decline in the value of the underlying securities during the period in which it seeks to assert these rights. The Investment Adviser, acting under the supervision of the Board, reviews the creditworthiness of those banks and dealers with which the Fund enters into repurchase agreements to evaluate these risks and monitors on an ongoing basis the value of the securities subject to repurchase agreements to ensure that the value is maintained at the required level.

INVESTMENT RESTRICTIONS

The Fund operates under the following restrictions that constitute fundamental policies that, except as otherwise noted, cannot be changed without the affirmative vote of the holders of a majority of the outstanding voting securities of the Fund along with the affirmative vote of a majority of the votes entitled to be cast by holders of outstanding preferred shares, voting together as a single class. For purposes of the preferred share voting rights described in the foregoing sentence, except as otherwise required under the 1940 Act, the majority of the outstanding preferred shares means, in accordance with Section 2(a)(42) of the 1940 Act, the vote of (i) 67% or more of the preferred shares present at the shareholders meeting called for such vote, if the holders of more than 50% of the outstanding preferred shares are present or represented by proxy or (ii) more than 50% of the outstanding preferred shares, whichever is less. Except as otherwise noted, all percentage limitations set forth below apply immediately after a purchase or initial investment and any subsequent change in any applicable percentage resulting from market fluctuations does not require any action. The Fund may not:

- (1) invest 25% or more of its total assets, taken at market value at the time of each investment, in the securities of issuers in any particular industry other than the Utility Industry. This restriction does not apply to investments in U.S. government securities.
- (2) purchase or sell commodities or commodity contracts except that the Fund may purchase or sell futures contracts and related options thereon if immediately thereafter (i) no more than 5% of its total assets are invested in margins and premiums and (ii) the aggregate market value of its outstanding futures contracts and market value of the currencies and futures contracts subject to outstanding options written by the Fund do not exceed 50% of the market value of its total assets. The Fund may not purchase or sell real estate, provided that the Fund may invest in securities secured by real estate or interests therein or issued by companies which invest in real estate or interests therein.
- (3) make loans of money, except by the purchase of a portion of private or publicly distributed debt obligations or the entering into of repurchase agreements. The Fund reserves the authority to make loans of its portfolio securities to financial intermediaries in an aggregate amount not exceeding 20% of its total assets. Any such loans will only be made upon approval of, and subject to any conditions imposed by, the Board. Because these loans are required to be fully collateralized at all times, the risk of loss in the event of default of the borrower should be slight.
- (4) borrow money except to the extent permitted by applicable law. The 1940 Act currently requires that the Fund have 300% asset coverage with respect to all borrowings other than temporary borrowings of up to 5% of the value of its total assets.
- (5) issue senior securities, except to the extent permitted by applicable law.
- (6) underwrite securities of other issuers except insofar as the Fund may be deemed an underwriter under the Securities Act 1933, (the 1933 Act) in selling portfolio securities; provided, however, this restriction shall not

apply to securities of any investment company organized by the Fund that are to be distributed pro rata as a dividend to its shareholders.

With respect to (1) above, the Fund invests 25% or more of its total assets in the securities of issuers in the Utility Industry.

MANAGEMENT OF THE FUND

Trustees and Officers

Overall responsibility for management and supervision of the Fund rests with its Board. The Board approves all significant agreements between the Fund and the companies that furnish the Fund with services, including agreements with

Table of Contents

the Investment Adviser, the Custodian and the Fund's transfer agent. The day-to-day operations of the Fund are delegated to the Investment Adviser.

Set forth in the table below are the existing Trustees, including those Trustees who are not considered to be interested persons, as defined in the 1940 Act (the Independent Trustees), and officers of the Fund, including information relating to their respective positions held with the Fund, a brief statement of their principal occupations, and, in the case of the Trustees, their other directorships during the past five years, (excluding other funds managed by the Investment Adviser), if any.

Name, Position(s) Address⁽¹⁾ And Age	Term of Office and Length of Time Served⁽²⁾	Principal Occupation(s) During Past Five Years	Other Directorships Held by Trustee During Past Five Years	Number of Portfolios in Fund Complex⁽³⁾ Overseen by Trustee
----------------------------------------------------------------	-------------------------------------------------------------------------------	-----------------------------------------------------------	---------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------

INTERESTED TRUSTEES⁽⁴⁾:

Mario J. Gabelli Trustee and Chief Investment Officer Age: 68	Since 1999**	Chairman, Chief Executive Officer, and Chief Investment Officer - Value Portfolios of GAMCO Investors, Inc. and Chief Investment Officer - Value Portfolios of Gabelli Funds, LLC and GAMCO Asset Management Inc.; Director/Trustee or Chief Investment Officer of other registered investment companies in the Gabelli/GAMCO Funds Complex; Chief Executive Officer of GGCP, Inc.	Director of Morgan Group Holdings, Inc. (holding company); Chairman of the Board and Chief Executive Officer of LICT Corp. (multimedia and communication services company); Director of CIBL, Inc. (broadcasting and wireless communications); Director of RLJ Acquisition, Inc. (blank check company)	26
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John D. Gabelli Trustee Age: 66	Since 1999***	Senior Vice President of Gabelli & Company, Inc.		10
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INDEPENDENT TRUSTEES⁽⁵⁾:

Thomas E. Bratter Trustee Age: 71	Since 1999**	Director, President and Founder of The John Dewey Academy (residential)	none	3
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college preparatory
therapeutic high
school)

Anthony J. Colavita ⁽⁶⁾ Trustee Age: 75	Since 1999*	President of the law firm of Anthony J. Colavita, P.C.	none	34
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13

Table of Contents

Name, Position(s) Address⁽¹⁾ And Age	Term of Office and Length of Time Served⁽²⁾	Principal Occupation(s) During Past Five Years	Other Directorships Held by Trustee During Past Five Years	Number of Portfolios in Fund Complex⁽³⁾ Overseen by Trustee
James P. Conn⁽⁶⁾ Trustee Age: 73	Since 1999***	Former Managing Director and Chief Investment Officer of Financial Security Assurance Holdings Ltd. (insurance holding company) (1992-1998)	Director of First Republic Bank (banking) through January 2008; Director of La Quinta Corp. (hotels) through January 2006	18
Vincent D. Enright Trustee Age: 67	Since 1999**	Former Senior Vice President and Chief Financial Officer of KeySpan Corp. (public utility) (1994-1998)	Director of Echo Therapeutics, Inc. (therapeutics and diagnostics); and until September 2006, Director of Apton Corporation (pharmaceuticals)	16
Frank J. Fahrenkopf, Jr. Trustee Age: 71	Since 1999*	President and Chief Executive Officer of the American Gaming Association; Co-Chairman of the Commission on Presidential Debates; Former Chairman of the Republican National Committee (1983-1989)	Director of First Republic Bank (banking)	6
Robert J. Morrissey Trustee Age: 71	Since 1999*	Partner in the law firm of Morrissey, Hawkins & Lynch		6
Anthony R. Pustorino Trustee	Since 1999***	Certified Public Accountant;	Director of The LGL Group, Inc.	13

<p>Age: 85</p>		<p>Professor Emeritus, Pace University</p>	<p>(diversified manufacturing) (2002-2010)</p>	
<p>Salvatore J. Zizza Trustee Age: 65</p>	<p>Since 1999*</p>	<p>Chairman of Zizza & Co., Ltd. (financial consulting) since 1978; Chairman of Metropolitan Paper Recycling Inc. (recycling) since 2006; Chairman of BAM Inc., (manufacturing); Chairman of E-Corp English (global English instruction for corporate personnel) since 2009</p>	<p>Non-Executive Chairman and Director of Harbor BioSciences, Inc. (biotechnology); Vice Chairman and Director of Trans-Lux Corporation (business services); Chairman, Chief Executive Officer, and Director of General Employment Enterprises, Inc. (staffing); Director of Bion Environmental Technologies (technology) (2005-2008); Director of Earl Scheib Inc. (automotive painting) through April 2009</p>	<p>28</p>

Table of Contents

Officers⁽⁷⁾ Name, Position(s), Address⁽¹⁾ and Age	Term of Office and Length of Time Served⁽²⁾	Principal Occupation(s) During the Past Five Years
<p>Bruce N. Alpert President Age: 59</p>	<p>Since 2003</p>	<p>Executive Vice President and Chief Operating Officer of Gabelli Funds, LLC since 1988 and an officer of all of the registered investment companies in the Gabelli/GAMCO Funds Complex. Director of Teton Advisors, Inc. since 1998; Chairman of Teton Advisors, Inc. 2008 to 2010; President of Teton Advisors, Inc. 1998 through 2008; Senior Vice President of GAMCO Investors, Inc. since 2008</p>
<p>Agnes Mullady Treasurer and Secretary Age: 52</p>	<p>Since 2006</p>	<p>President and Chief Operating Officer of the Open-End Fund Division of Gabelli Funds, LLC since September 2010; Senior Vice President of GAMCO Investors, Inc. since 2009; Vice President of Gabelli Funds, LLC since 2007; Officer of all of the registered investment companies in the Gabelli/ GAMCO Funds Complex</p>
<p>Peter D. Goldstein Chief Compliance Officer Age: 58</p>	<p>Since 2004</p>	<p>Director of Regulatory Affairs at GAMCO Investors, Inc. since 2004; Chief Compliance Officer of all of the registered investment companies in the Gabelli /GAMCO Funds Complex</p>
<p>David I. Schachter Vice President and Ombudsman Age: 57</p>	<p>Since 1999</p>	<p>Vice President and Ombudsman of the Fund since 1999; Vice President of other closed-end funds within the Gabelli/GAMCO Funds Complex; Vice President of Gabelli & Company, Inc. since 1999</p>

- (1) Address: One Corporate Center, Rye, New York 10580-1422.
- (2) The Fund's Board of Trustees is divided into three classes, each class having a term of three years. Each year the term of office of one class expires and the successor or successors elected to such class serve for a three year term.
- (3) The Fund Complex or the Gabelli/GAMCO Funds Complex includes all the registered funds that are considered part of the same fund complex as the Fund because they have common or affiliated investment advisers.
- (4) Interested person of the Fund, as defined in the 1940 Act. Messrs. Mario Gabelli and John Gabelli are each considered to be an interested person of the Fund, because of their affiliation with the Fund's Adviser and Gabelli & Company, Inc., which executes portfolio transactions for the Fund (and in the case of Mario Gabelli, as a controlling shareholder because of the level of his ownership of Common Shares of the Fund). Messrs. Mario Gabelli and John Gabelli are brothers.
- (5) Trustees who are not considered to be interested persons of the Fund, as defined in the 1940 Act are considered to be Independent Trustees.
- (6) As a Trustee, elected solely by holders of the Fund's Preferred Shares.

- (7) Each officer will hold office for an indefinite term until the date he or she resigns or retires or until his or her successor is elected and qualified.
- * Term continues until the Fund's 2014 Annual Meeting of Shareholders and until his successor is duly elected and qualified.
- ** Term continues until the Fund's 2013 Annual Meeting of Shareholders and until his successor is duly elected and qualified.
- *** Term continues until the Fund's 2012 Annual Meeting of Shareholders and until his successor is duly elected and qualified.

Table of Contents

The Board believes that each Trustee's experience, qualifications, attributes, or skills on an individual basis and in combination with those of other Trustees lead to the conclusion that each Trustee should serve in such capacity. Among the attributes or skills common to all Trustees are their ability to review critically and to evaluate, question, and discuss information provided to them, to interact effectively with the other Trustees, the Adviser, the sub-administrator, other service providers, counsel and the Fund's independent registered public accounting firm, and to exercise effective and independent business judgment in the performance of their duties as Trustees. Each Trustee's ability to perform his/her duties effectively has been attained in large part through the Trustee's business, consulting or public service positions and through experience from service as a member of the Board and one or more of the other funds in the Gabelli/GAMCO Funds Complex, public companies, or non-profit entities or other organizations as set forth above and below. Each Trustee's ability to perform his/her duties effectively also has been enhanced by education, professional training, and experience.

Mario J. Gabelli. Mr. Gabelli is Chairman of the Board of Trustees and Chief Investment Officer of the Fund. He also currently serves as Chairman of the boards of other funds in the Fund Complex. Mr. Gabelli is Chairman and, Chief Executive Officer, and Chief Investment Officer – Value Portfolios of GAMCO Investors, Inc. (GAMCO), a NYSE listed investment advisory firm. He is also the Chief Investment Officer of Value Portfolios of Gabelli Funds, LLC and GAMCO Asset Management, Inc., each of which are asset management subsidiaries of GAMCO. In addition, Mr. Gabelli is Chief Executive Officer and a director and the controlling shareholder of GGCP, Inc., an investment holding company that holds a majority interest in GAMCO. Mr. Gabelli also sits on the boards of other publicly traded companies and private firms and various charitable foundations and educational institutions, including the Board of Trustees of Boston College and Roger Williams University and the Board of Overseers of Columbia University Graduate School of Business. Mr. Gabelli received his Bachelors degree from Fordham University and his Masters of Business Administration from Columbia Graduate University School of Business.

John D. Gabelli. Mr. Gabelli is a Senior Vice President of Gabelli & Company, Inc., an institutional research and brokerage firm, and President of John Gabelli Inc., a general partner of two investment partnerships and has over thirty-five years of experience in the asset management industry. He also sits on the boards of various charitable foundations, including the Mount Vernon Police Foundation. Mr. Gabelli serves on the boards of other funds in the Fund Complex.

Thomas E. Bratter. Dr. Bratter is the Founder, and President of The John Dewey Academy, a residential college preparatory therapeutic high school in Massachusetts. He is Director of the International Center for Study of Psychiatry and Psychology, was the Vice President of the Small Boarding Schools Association, and the Trustee of the Majorie Polikoff Estate. In addition to serving on the boards of other funds in the Fund Complex, Dr. Bratter has been an active investor in publicly traded equities for forty years. Dr. Bratter serves on the Advisory Board of the American Academy of Health Providers in the Addictive Disorders and sits on the editorial boards of six professional journals. Prior to establishing and managing The John Dewey Academy, Dr. Bratter was in private practice as a counseling psychologist and taught psychology at Columbia University as an adjunct faculty for more than twenty years. Dr. Bratter founded and sat on the boards of six community based treatment programs for adolescents. He has authored more than one hundred and fifty articles and four books concerning the treatment and education of gifted and self destructive adolescents and their families. Dr. Bratter received his Bachelor of Arts, Masters and Doctorate in Education from Columbia College and University.

Anthony J. Colavita, Esq. Mr. Colavita is a practicing attorney with over forty-nine years of experience, including the field of business law. He is a member of the Fund's Nominating, Audit, and Proxy Voting Committees. Mr. Colavita also serves on comparable or other board committees with respect to other funds in the Fund Complex on whose boards he sits. Mr. Colavita also serves as a Trustee of a charitable remainder unitrust. He formerly served as a Commissioner of the New York State Thruway Authority and as a Commissioner of the New York State Bridge Authority. He served for ten years as the elected Supervisor of the Town of Eastchester, New York, responsible for ten annual municipal budgets of approximately eight million dollars per year. Mr. Colavita formerly served as Special Counsel to the New York State Assembly for five years and as a Senior Attorney with the New York State Insurance Department. He is the former Chairman of the Westchester County Republican Party and the New York State Republican Party. Mr. Colavita received his Bachelor of Arts from Fairfield University and his Juris Doctor from

Fordham University School of Law.

James P. Conn. Mr. Conn is the lead independent Trustee of the Fund, a member of the Fund's Proxy Voting Committee, and also serves on comparable or other board committees for other funds in the Fund Complex on whose boards he sits. He was a senior business executive of an insurance holding company for much of his career, including service as

Table of Contents

Chief Investment Officer. Mr. Conn has been a director of several public companies in banking and other industries, and was lead Director and/or Chair of various committees. He received his Bachelor of Science in Business Administration from Santa Clara University.

Vincent D. Enright. Mr. Enright was a senior executive and Chief Financial Officer (CFO) of an energy public utility for four years. In accordance with his experience as a CFO, he is a member of the Fund's Audit Committee. Mr. Enright is also Chairman of the Fund's Proxy Voting Committee and is a member of both multi-fund *ad hoc* Compensation Committees (described below under Trustees-Leadership Structure and Oversight Responsibilities) and serves on comparable or other board committees with respect to other funds in the Fund Complex on whose boards he sits. Mr. Enright is also a Director of a therapeutics and diagnostics company and serves as Chairman of its compensation and audit committees. He is a former Director of a pharmaceutical company. Mr. Enright received his Bachelor of Science from Fordham University and completed the Advanced Management Program at Harvard University.

Frank J. Fahrenkopf, Jr. Mr. Fahrenkopf is the President and Chief Executive Officer of the American Gaming Association (AGA), the trade group for the hotel-casino industry. Additionally, he serves on certain board committees with respect to other funds in the Fund Complex on whose boards he sits. He presently is Co-Chairman of the Commission on Presidential Debates, which is responsible for the widely viewed Presidential debates during the quadrennial election cycle. Additionally, he serves as a board member of the International Republican Institute, which he founded in 1984. He served for many years as Chairman of the Pacific Democrat Union and Vice Chairman of the International Democrat Union, a worldwide association of political parties from the United States, Great Britain, France, Germany, Canada, Japan, Australia, and twenty other nations. Prior to becoming the AGA's first chief executive in 1995, Mr. Fahrenkopf was a partner in the law firm of Hogan & Hartson, where he chaired the International Trade Practice Group and specialized in regulatory, legislative, and corporate matters for multinational, foreign, and domestic clients. He also served as Chairman of the Republican National Committee for six years during Ronald Reagan's presidency. Mr. Fahrenkopf is the former Chairman of the Finance Committee of the Culinary Institute of America and remains as a board member. Additionally he has over twenty years' experience as a member of the board of directors of First Republic Bank. Mr. Fahrenkopf received his Bachelor of Arts from the University of Nevada, Reno and his Juris Doctor from UC Berkeley Boalt Hall School of Law.

Robert J. Morrissey. Mr. Morrissey has over forty-seven years of experience as an attorney representing clients in the areas of estate planning, civil litigation, business planning, and real estate, including as current senior partner of a law firm. He is a member of the Fund's Proxy Voting Committee and also serves on comparable or other board committees with respect to other funds in the Fund Complex on whose boards he sits. Mr. Morrissey serves as Chairman of the Board of Trustees of the Belmont Savings Bank in Massachusetts. He also serves as a Trustee of Boston College and is Chairman of its Investment and Endowment Committee. In addition, Mr. Morrissey is a member of the Harvard Law School Dean's Advisory Board, is Chairman of the Investment Advisory Board of the New England Jesuit Province, is a member of the Financial Council of the Archdiocese of Boston, and Chairman of its Investment Committee. He is a member of the Investment Advisory Committee of Jesuit Curia, Vatican City, and is a Director of several other private and public funds, trusts, and foundations. Mr. Morrissey is a graduate of Boston College and the Harvard Law School.

Anthony R. Pustorino. Mr. Pustorino is a Certified Public Accountant (CPA) and a Professor Emeritus at Pace University with fifty years of experience in public accounting. Mr. Pustorino is Chair of the Audit Committee and has been designated the Fund's Audit Committee Financial Expert. He is also the Chair of the Proxy Voting Committee and is a member of both multi-fund *ad hoc* Compensation Committees. Mr. Pustorino also serves on comparable or other board committees with respect to other boards of funds in the Fund Complex on whose boards he sits. Mr. Pustorino was a Director of the LGL Group, Inc., a diversified manufacturing company. Mr. Pustorino was previously the President and Shareholder of a CPA firm and a Professor of accounting, most recently at Pace University. He served as Chairman of the Board of Directors of the New York State Board for Public Accountancy and of the CPA Examination Review Board of the National Association of State Board of Accountancy, was a member of the Executive Committee and a vice president of the New York State Society of CPAs, and was a member of the Council of the American Institute of CPAs. Mr. Pustorino is the recipient of numerous professional and teaching awards. He

received a Bachelor of Science in Business from Fordham University and a Masters in Business Administration from New York University.

Salvatore J. Zizza. Mr. Zizza is the Chairman of a financial consulting firm. He also serves as Chairman to other companies involved in manufacturing, recycling, and real estate. He has been designated the Fund's Audit Committee Financial Expert. Mr. Zizza is also the Chairman of the Fund's Nominating Committee and is a member of both multi-fund

Table of Contents

ad hoc Compensation Committees. In addition, he serves on comparable or other board committees, including as lead independent director, with respect to other funds in the Fund Complex on whose boards he sits. Besides serving on the boards of many funds within the Fund Complex, he is currently a director of three other public companies and previously served on the boards of several other public companies. He previously served as the Chief Executive of a large NYSE listed construction company. Mr. Zizza received his Bachelor of Arts and his Master of Business Administration in Finance from St. John's University, which awarded him an Honorary Doctorate in Commercial Sciences.

Trustees Leadership Structure and Oversight Responsibilities

Overall responsibility for general oversight of the Fund rests with the Board. The Board has appointed Mr. Conn as the lead independent Trustee. The lead independent Trustee presides over executive sessions of the Trustees and also serves between meetings of the Board as a liaison with service providers, officers, counsel, and other Trustees on a wide variety of matters including scheduling agenda items for Board meetings. Designation as such does not impose on the lead independent Trustee any obligations or standards greater than or different from other Trustees. The Board has established a Nominating Committee and an Audit Committee to assist the Board in the oversight of the management and affairs of the Fund. The Board also has a Proxy Voting Committee that exercises voting and investment responsibilities on behalf of the Fund in selected situations. From time to time the Board establishes additional committees or informal working groups, such as pricing committees related to securities offerings by the Fund to address specific matters, or assigns one of its members to work with trustees or directors of other funds in the Gabelli/GAMCO Funds Complex on special committees or working groups that address complex wide matters, such as the multi-fund *ad hoc* Compensation Committee relating to compensation of the Chief Compliance Officer for all the funds in the Fund Complex, and a separate multi-fund *ad hoc* Compensation Committee relating to compensation of certain officers of the closed-end funds in the Fund Complex.

All of the Fund's Trustees other than Mr. Mario J. Gabelli and Mr. John D. Gabelli are Independent Trustees, and the Board believes they are able to provide effective oversight of the Fund's service providers. In addition to providing feedback and direction during Board meetings, the Trustees meet regularly in executive session and chair all committees of the Board.

The Fund's operations entail a variety of risks, including investment, administration, valuation, and a range of compliance matters. Although the Adviser, the sub-administrator, and the officers of the Fund are responsible for managing these risks on a day-to-day basis within the framework of their established risk management functions, the Board also addresses risk management of the Fund through its meetings and those of the committees and working groups. As part of its general oversight, the Board reviews with the Adviser at Board meetings the levels and types of risks being undertaken by the Fund, and the Audit Committee discusses the Fund's risk management and controls with the independent registered public accounting firm engaged by the Fund. The Board reviews valuation policies and procedures and the valuations of specific illiquid securities. The Board also receives periodic reports from the Fund's Chief Compliance Officer regarding compliance matters relating to the Fund and its major service providers, including results of the implementation and testing of the Fund's and such providers' compliance programs. The Board's oversight function is facilitated by management reporting processes designed to provide visibility to the Board regarding the identification, assessment, and management of critical risks and the controls and policies and procedures used to mitigate those risks. The Board reviews its role in supervising the Fund's risk management from time to time and may make changes at its discretion at any time.

The Board has determined that its leadership structure is appropriate for the Fund because it enables the Board to exercise informed and independent judgment over matters under its purview, allocates responsibility among committees in a manner that fosters effective oversight and allows the Board to devote appropriate resources to specific issues in a flexible manner as they arise. The Board periodically reviews its leadership structure as well as its overall structure, composition, and functioning, and may make changes at its discretion at any time.

Board Committees

The Nominating Committee is responsible for recommending qualified candidates to the Board in the event that a position is vacated or created. The Nominating Committee would consider recommendations by shareholders if a vacancy were to exist. Such recommendations should be forwarded to the Secretary of the Fund.

The Audit Committee is generally responsible for reviewing and evaluating issues related to the accounting and financial reporting policies and internal controls of the Fund and, as appropriate, the internal controls of certain service providers,

Table of Contents

overseeing the quality and objectivity of the Fund's financial statements and the audit thereof and acting as a liaison between the Board and the Fund's independent registered public accounting firm.

The Fund has a Proxy Voting Committee, which, if so determined by the Board, is authorized to exercise voting power and/or dispositive power over specific securities held in the Fund's portfolio for such period as the Board may determine.

For the fiscal year ended December 31, 2010, the Board held one (1) Nominating Committee meeting and three (3) Audit Committee meetings. The Proxy Voting Committee did not meet during the fiscal year ended December 31, 2010.

The Fund does not have a standing compensation committee, but does have representatives on a multi-fund ad hoc Compensation Committee relating to compensation of the Chief Compliance Officer for the funds and certain officers of the closed-end funds in the Fund Complex.

Name of Trustee	Dollar Range of Equity Securities Held in the Fund	Aggregate Dollar Range of Equity Securities Held in All Registered Investment Companies in the Gabelli Fund Complex
Interested Trustees		
Mario J. Gabelli	Over \$100,000	Over \$100,000
John D. Gabelli	None	Over \$100,000
Independent Trustees		
Thomas E. Bratter	None	Over \$100,000
Anthony J. Colavita	\$10,001-\$50,000	Over \$100,000
James P. Conn	\$10,001-\$50,000	Over \$100,000
Vincent D. Enright	None	Over \$100,000
Frank J. Fahrenkopf, Jr.	None	\$1-\$10,000
Robert J. Morrissey	None	Over \$100,000
Anthony R. Pustorino	\$10,001-\$50,000	Over \$100,000
Salvatore J. Zizza	\$10,001-\$50,000	Over \$100,000

All shares were valued as of December 31, 2010

The Trustees serving on the Fund's Nominating Committee are Anthony J. Colavita, Vincent D. Enright and Salvatore J. Zizza (Chair). Anthony J. Colavita, Anthony R. Pustorino (Chair) and Salvatore J. Zizza, who are not interested persons of the Fund as defined in the 1940 Act, serve on the Fund's Audit Committee.

Remuneration of Trustees and Officer

The Fund pays each Trustee who is not affiliated with the Adviser or its affiliates a fee of \$6,000 per year plus \$500 per Board meeting attended, \$500 per standing Committee meeting attended, and \$500 per telephonic meeting attended, together with the Trustee's actual out-of-pocket expenses relating to his attendance at such meetings. In addition, the lead independent Trustee receives an annual fee of \$1,000, the Audit Committee Chairman receives an annual fee of \$3,000 and the Nominating Committee Chairman receives an annual fee of \$2,000. A Trustee may receive a single meeting fee, allocated among the participating funds, for participation in certain meetings on behalf of multiple funds. The aggregate remuneration (excluding out-of-pocket expenses) paid by the Fund to such Trustees during the fiscal year ended December 31, 2010 amounted to \$79,242. During the fiscal year ended December 31, 2010, the Trustees of the Fund met six times, two of which were special meetings of the Board of Trustees. Each Trustee then serving in such capacity attended at least 75% of the meetings of Trustees and of any Committee of which he is a member.

The following table shows the compensation that the Trustees earned in their capacity as Trustees during the year ended December 31, 2010. The table also shows, for the year ended December 31, 2010, the compensation Trustees earned in their capacity as Trustees for other funds in the Fund Complex.

Table of Contents**COMPENSATION TABLE FOR THE YEAR ENDED DECEMBER 31, 2010**

Name of Trustee	Compensation From the Fund	Total Compensation from the Fund and Fund Complex Paid to Trustees*
Interested Trustee		
Mario J. Gabelli	\$ 0	\$ 0
John D. Gabelli	\$ 0	\$ 0
Independent Trustees		
Thomas E. Bratter	\$ 8,750	\$ 43,500
Anthony J. Colavita	\$ 10,111	\$ 254,500
James P. Conn	\$ 9,625	\$ 144,500
Vincent D. Enright	\$ 10,250	\$ 131,000
Frank J. Fahrenkopf, Jr.	\$ 8,600	\$ 73,500
Robert J. Morrissey	\$ 8,000	\$ 47,500
Anthony R. Pustorino	\$ 12,795	\$ 164,500
Salvatore J. Zizza	\$ 11,111	\$ 212,000
Officer		
David I. Schachter, Vice President and Ombudsman	\$ 120,000	

* Represents the total compensation paid to such persons during the fiscal year ended December 31, 2010 by investment companies (including the Fund) or portfolios thereof that are considered part of the same fund complex as the Fund because they have common or affiliated investment advisers. The number in parentheses represents the number of such investment companies and portfolios.

Indemnification of Officers and Trustees; Limitations on Liability

Subject to limitations imposed by the 1940 Act, the Governing Documents of the Fund provide that the Fund will indemnify its trustees and officers and may indemnify its employees or agents against liabilities and expenses incurred in connection with litigation in which they may be involved because of their positions with the Fund, to the fullest extent permitted by law. However, nothing in the Governing Documents of the Fund protects or indemnifies a trustee, officer, employee or agent of the Fund against any liability to which such person would otherwise be subject in the event of such person's willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his or her position.

Investment Management

Gabelli Funds, LLC serves as the Fund's Investment Adviser pursuant to the Investment Advisory Agreement with the Fund. The Investment Adviser is a New York limited liability company with principal offices located at One Corporate Center, Rye, New York 10580-1422 and is registered under the Investment Advisers Act of 1940, as amended. The Investment Adviser was organized in 1999 and is the successor to Gabelli Funds, Inc., which was organized in 1980. As of December 31, 2010, the Investment Adviser acts as a registered investment adviser to 25 management investment companies with aggregate net assets of \$18.3 billion. The Investment Adviser, together with the other affiliated investment advisers noted below, had assets under management totaling approximately \$33.3 billion as of December 31, 2010. GAMCO Asset Management Inc. (GAMCO), an affiliate of the Investment Adviser, acts as investment adviser for individuals, pension trusts, profit sharing trusts and endowments, and as a sub-adviser to management investment companies having aggregate assets of \$13.7 billion under management as of December 31, 2010. Gabelli Securities, Inc., an affiliate of the Investment Adviser, acts as investment adviser for

investment partnerships and entities having aggregate assets of approximately \$515 million under management as of December 31, 2010. Teton Advisors, Inc., an affiliate of the Investment Adviser, acts as investment manager to The GAMCO Westwood Funds and separately managed accounts having aggregate assets of approximately \$820 million under management as of December 31, 2010.

The Investment Adviser is a wholly-owned subsidiary of GAMCO Investors, Inc., a New York corporation, whose Class A Common Stock is traded on the NYSE under the symbol GBL. Mr. Mario J. Gabelli may be deemed a controlling

Table of Contents

person of the Investment Adviser on the basis of his ownership of a majority of the stock of GGCP, Inc., which owns a majority of the capital stock of GAMCO Investors, Inc.

The Investment Adviser will provide a continuous investment program for the portfolios of the Fund and oversee the administration of all aspects of the Fund's business and affairs. The Investment Adviser has sole investment discretion for the assets of the Fund under the supervision of the Fund's Board and in accordance with the Fund's stated policies. The Investment Adviser will select investments for the Fund and will place purchase and sale orders on behalf of the Fund.

Investment Advisory Agreements

Affiliates of the Investment Adviser may, in the ordinary course of their business, acquire for their own account or for the accounts of their advisory clients, significant (and possibly controlling) positions in the securities of companies that may also be suitable for investment by the Fund. The securities in which the Fund might invest may thereby be limited to some extent. For instance, many companies in the past several years have adopted so-called "poison pill" or other defensive measures designed to discourage or prevent the completion of non-negotiated offers for control of the company. Such defensive measures may have the effect of limiting the shares of the company that might otherwise be acquired by the Fund if the affiliates of the Investment Adviser or their advisory accounts have or acquire a significant position in the same securities. However, the Investment Adviser does not believe that the investment activities of its affiliates will have a material adverse effect upon each the Fund in seeking to achieve its investment objective. Securities purchased or sold pursuant to contemporaneous orders entered on behalf of the investment company accounts of the Investment Adviser or the advisory accounts managed by its affiliates for their unaffiliated clients are allocated pursuant to principles believed to be fair and not disadvantageous to any such accounts. In addition, all such orders are accorded priority of execution over orders entered on behalf of accounts in which the Investment Adviser or its affiliates have a substantial pecuniary interest. The Fund may on occasion give advice or take action with respect to other clients that differs from the actions taken with respect to the Fund. The Fund may invest in the securities of companies that are investment management clients of GAMCO Asset Management Inc. In addition, portfolio companies or their officers or trustees may be minority shareholders of the Investment Adviser or its affiliates.

Under the terms of the Advisory Agreement, the Investment Adviser manages the portfolio of the Fund in accordance with its stated investment objective and policies, makes investment decisions for the Fund, places orders to purchase and sell securities on behalf of the Fund and manages its other business and affairs, all subject to the supervision and direction of the Board. In addition, under the Advisory Agreement, the Investment Adviser oversees the administration of all aspects of the Fund's business and affairs and provides, or arranges for others to provide, at the Investment Adviser's expense, certain enumerated services, including maintaining the Fund's books and records, preparing reports to the Fund's shareholders and supervising the calculation of the NAV of its shares. All expenses of computing the NAV of the Fund, including any equipment or services obtained solely for the purpose of pricing shares or valuing its investment portfolio, will be an expense of the Fund under its Advisory Agreement unless the Investment Adviser voluntarily assumes responsibility for such expense. During fiscal year 2010, the Fund paid or accrued \$45,000 to the Investment Adviser in connection with the cost of computing the Fund's NAV.

The Advisory Agreement combines investment advisory and administrative responsibilities in one agreement. For services rendered by the Investment Adviser on behalf of the Fund under the Advisory Agreement, the Fund pays the Investment Adviser a fee computed weekly and paid monthly, equal on an annual basis to 1.00% of the Fund's average weekly net assets including the liquidation value of preferred shares. The fee paid by the Fund may be higher when leverage in the form of preferred shares are utilized, giving the Investment Adviser an incentive to utilize such leverage. However, the Investment Adviser has agreed to reduce the management fee on the incremental assets attributable to the preferred shares during the fiscal year if the total return of the NAV of the common shares of the Fund, including distributions and advisory fees subject to reduction for that year, does not exceed the stated dividend rate or corresponding swap rate of each particular series of preferred shares for the period. In other words, if the effective cost of the leverage for any series of preferred shares exceeds the total return (based on NAV) on the Fund's common shares, the Investment Adviser will waive that portion of its management fee on the incremental assets attributable to the leverage for that series of preferred shares to mitigate the negative impact of the leverage on the common shareholder's total return, except in connection with the waiver applicable to the portion of the Fund's assets

attributable to Series A Preferred and Series B Auction Market Preferred Shares (Series B Preferred), this fee waiver is voluntary and may be discontinued at any time. For Series A Preferred and Series B Preferred, the waiver will remain in effect as long as any shares in a series are outstanding. The Fund's total return on the NAV of the common shares is monitored on a monthly basis to assess whether the total return on the NAV of the common shares exceeds the stated dividend rate or corresponding swap rate of each particular series of preferred shares for the period. The test to confirm the accrual of the management fee on the assets attributable to each particular series of preferred shares is annual.

Table of Contents

The Fund will accrue for the management fee on these assets during the fiscal year if it appears probable that the Fund will incur the management fee on those additional assets.

The Advisory Agreement provides that in the absence of willful misfeasance, bad faith, gross negligence or reckless disregard for its obligations and duties thereunder, the Investment Adviser is not liable for any error or judgment or mistake of law or for any loss suffered by the Fund. As part of the Advisory Agreement, the Fund has agreed that the name Gabelli is the Investment Adviser's property, and that in the event the Investment Adviser ceases to act as an investment adviser to the Fund, the Fund will change its name to one not including Gabelli.

Pursuant to its terms, the Advisory Agreement will remain in effect with respect to the Fund until the second anniversary of shareholder approval of such Agreement, and from year to year thereafter if approved annually (i) by the Board or by the holders of a majority of its outstanding voting securities and (ii) by a majority of the trustees who are not interested persons (as defined in the 1940 Act) of any party to the Advisory Agreement, by vote cast in person at a meeting called for the purpose of voting on such approval. The Advisory Agreement was approved most recently by the Board on February 16, 2011. The Advisory Agreement terminates automatically on its assignment and may be terminated without penalty on 60 days' written notice at the option of either party thereto or by a vote of a majority (as defined in the 1940 Act) of the Fund's outstanding shares.

A discussion regarding the basis of the Board's approval of the Advisory Agreement for the Fund is available in the semi-annual report to shareholders for the six months ended June 30, 2010.

For each of the years ended, December 31, 2008, December 31, 2009, and December 31, 2010, the Investment Adviser was paid \$1,983,694, \$1,933,306, and \$2,083,626, respectively, for advisory and administrative services rendered to the Fund.

Portfolio Manager Information**Other Accounts Managed**

The information below lists the number of other accounts for which each portfolio manager was primarily responsible for the day-to-day management as of the fiscal year ended December 31, 2010.

Name of Portfolio Manager or Team	Type of Accounts	Total Number of Accounts Managed	Total Assets	Number of Accounts Managed with Advisory Fee	Total Assets with Advisory fee
				Based on Performance	Based on Performance
1. Mario J. Gabelli	Registered Investment Companies:	26	\$ 16.9B	8	\$ 4.0B
	Other Pooled Investment Vehicles:	16	\$ 478.4M	14	\$ 470.6M
	Other Accounts:	1,712	\$ 14.6B	9	\$ 1.9B

Potential Conflicts of Interest

Actual or apparent conflicts of interest may arise when the portfolio manager also has day-to-day management responsibilities with respect to one or more other accounts. These potential conflicts include:

Allocation of Limited Time and Attention. Because the portfolio manager manages many accounts, he may not be able to formulate as complete a strategy or identify equally attractive investment opportunities for each of those accounts as if he were to devote substantially more attention to the management of only a few accounts.

Allocation of Limited Investment Opportunities. If the portfolio manager identifies an investment opportunity that may be suitable for multiple accounts, the Fund may not be able to take full advantage of that opportunity because the opportunity may need to be allocated among all or many of these accounts or other accounts primarily managed by

other portfolio managers of the Investment Adviser and its affiliates.

Pursuit of Differing Strategies. At times, the portfolio manager may determine that an investment opportunity may be appropriate for only some of the accounts for which he exercises investment responsibility, or may decide that certain of the accounts should take differing positions with respect to a particular security. In these cases, the portfolio manager may

Table of Contents

execute differing or opposite transactions for one or more accounts which may affect the market price of the security or the execution of the transactions, or both, to the detriment of one or more of his accounts.

Selection of Broker/Dealers. The portfolio manager may be able to select or influence the selection of the brokers and dealers that are used to execute securities transactions for the funds or accounts that he supervises. In addition to providing execution of trades, some brokers and dealers provide the Investment Adviser with brokerage and research services. These services may be more beneficial to certain funds or accounts of the Investment Adviser and its affiliates than to others. Although the payment of brokerage commissions is subject to the requirement that the Investment Adviser determine in good faith that the commissions are reasonable in relation to the value of the brokerage and research services provided to the Fund, the portfolio manager's decision as to the selection of brokers and dealers could yield disproportionate costs and benefits among the funds or other accounts that the Investment Adviser and its affiliates manage. In addition, with respect to certain types of accounts (such as pooled investment vehicles and other accounts managed for organizations and individuals), the Investment Adviser may be limited by the client concerning the selection of brokers or may be instructed to direct trades to particular brokers. In these cases, the Investment Adviser or its affiliates may place separate, non-simultaneous transactions in the same security for the Fund and another account that may temporarily affect the market price of the security or the execution of the transaction, or both, to the detriment of the Fund or the other account. Because of Mr. Gabelli's position with, and his indirect majority ownership interest in, an affiliated broker dealer, Gabelli & Company, he may have an incentive to use Gabelli & Company to execute portfolio transactions for the Fund even if using Gabelli & Company is not in the best interest of the Fund.

Variation in Compensation. A conflict of interest may arise where the financial or other benefits available to the portfolio manager differ among the funds or accounts that he or she manages. If the structure of the Investment Adviser's management fee or the portfolio manager's compensation differs among funds or accounts (such as where certain funds or accounts pay higher management fees or performance-based fees), the portfolio manager may be motivated to favor certain funds or accounts over others. The portfolio manager also may be motivated to favor funds or accounts in which he or she has an investment interest, or in which the Investment Adviser or its affiliates have investment interests. Similarly, the desire to maintain assets under management or to enhance a portfolio manager's performance record or to derive other rewards, financial or otherwise, could influence the portfolio manager in affording preferential treatment to those funds or other accounts that could most significantly benefit the portfolio manager. In Mr. Gabelli's case, the Investment Adviser's compensation (and expenses) for the Fund is marginally greater as a percentage of assets than for certain other accounts and is less than for certain other accounts managed by Mr. Gabelli, while his personal compensation structure varies with near-term performance to a greater degree in certain performance fee-based accounts than with non-performance-based accounts. In addition, he has investment interests in several of the funds managed by the Investment Adviser and its affiliates.

The Investment Adviser and the Fund have adopted compliance policies and procedures that are designed to address the various conflicts of interest that may arise for the Investment Adviser and its staff members. However, there is no guarantee that such policies and procedures will be able to detect and prevent every situation in which an actual or potential conflict may arise.

Compensation Structure. Mr. Gabelli receives incentive-based variable compensation based on a percentage of net revenues received by the Investment Adviser for managing the Fund. Net revenues are determined by deducting from gross investment management fees the firm's expenses (other than Mr. Gabelli's compensation) allocable to the Fund. Additionally, he receives similar incentive-based variable compensation for managing other accounts within the Fund Complex. This method of compensation is based on the premise that superior long-term performance in managing a portfolio should be rewarded with higher compensation as a result of growth of assets through appreciation and net investment activity. Five closed-end registered investment companies managed by Mr. Gabelli have arrangements whereby the Investment Adviser will only receive its investment advisory fee attributable to the liquidation value of outstanding preferred shares (and Mr. Gabelli would only receive his percentage of such advisory fee) if certain performance levels are met. Mr. Gabelli manages other accounts with performance fees. Compensation for managing these accounts has two components. One component of the fee is based on a percentage of net revenues received by the Investment Adviser for managing the account. The second component is based on absolute performance of the

account, with respect to which a percentage of such performance fee is paid to Mr. Gabelli. As an executive officer of the Investment Adviser's parent company, GAMCO Investors, Inc., Mr. Gabelli also receives ten percent of the net operating profits of the parent company. Mr. Gabelli receives no base salary, no annual bonus and no stock options.

Table of Contents

Portfolio Holdings Information

Employees of the Investment Adviser and its affiliates will often have access to information concerning the portfolio holdings of the Fund. The Fund and the Investment Adviser have adopted policies and procedures that require all employees to safeguard proprietary information of the Fund, which includes information relating to the Fund's portfolio holdings as well as portfolio trading activity of the Investment Adviser with respect to the Fund (collectively, "Portfolio Holdings Information"). In addition, the Fund and the Investment Adviser have adopted policies and procedures providing that Portfolio Holdings Information may not be disclosed except to the extent that it is (a) made available to the general public by posting on the Fund's website or filed as a part of a required filing on Form N-Q or N-CSR or (b) provided to a third party for legitimate business purposes or regulatory purposes, that has agreed to keep such data confidential under terms approved by the Investment Adviser's legal department or outside counsel, as described below. The Investment Adviser will examine each situation under (b) with a view to determine that release of the information is in the best interest of the Fund and its shareholders and, if a potential conflict between the Investment Adviser's interests and the Fund's interests arises, to have such conflict resolved by the Chief Compliance Officer or those Trustees who are not considered to be interested persons, as defined in the 1940 Act (the "Independent Trustees"). These policies further provide that no officer of the Fund or employee of the Investment Adviser shall communicate with the media about the Fund without obtaining the advance consent of the Chief Executive Officer, Chief Operating Officer, or General Counsel of the Investment Adviser.

Under the foregoing policies, the Fund currently may disclose Portfolio Holdings Information in the circumstances outlined below. Disclosure generally may be either on a monthly or quarterly basis with no time lag in some cases and with a time lag of up to 60 days in other cases (with the exception of proxy voting services which require a regular download of data):

- (1) To regulatory authorities in response to requests for such information and with the approval of the Chief Compliance Officer of the Fund;
- (2) To mutual fund rating and statistical agencies and to persons performing similar functions where there is a legitimate business purpose for such disclosure and such entity has agreed to keep such data confidential at least until it has been made public by the Investment Adviser;
- (3) To service providers of the Fund, as necessary for the performance of their services to the Fund and to the Board; the Fund's anticipated service providers are its administrator, transfer agent, custodian, independent registered public accounting firm, and legal counsel;
- (4) To firms providing proxy voting and other proxy services, provided such entity has agreed to keep such data confidential until at least it has been made public by the Investment Adviser;
- (5) To certain broker dealers, investment advisers, and other financial intermediaries for purposes of their performing due diligence on the Fund and not for dissemination of this information to their clients or use of this information to conduct trading for their clients. Disclosure of Portfolio Holdings Information in these circumstances requires the broker, dealer, investment adviser, or financial intermediary to agree to keep such information confidential and is further subject to prior approval of the Chief Compliance Officer of the Fund and to reporting to the Board at the next quarterly meeting; and
- (6) To consultants for purposes of performing analysis of the Fund, which analysis (but not the Portfolio Holdings Information) may be used by the consultant with its clients or disseminated to the public, provided that such entity shall have agreed to keep such information confidential until at least it has been made public by the Investment Adviser.

Disclosures made pursuant to a confidentiality agreement are subject to periodic confirmation by the Chief Compliance Officer of the Fund that the recipient has utilized such information solely in accordance with the terms of the agreement. Neither the Fund nor the Investment Adviser, nor any of the Investment Adviser's affiliates will accept

on behalf of itself, its affiliates, or the Fund any compensation or other consideration in connection with the disclosure of portfolio holdings of the Fund. The Board will review such arrangements annually with the Fund's Chief Compliance Officer.

Table of Contents

Ownership of Shares in the Fund

As of December 31, 2010, the portfolio manager of the Fund owns the following amounts of equity securities of the Fund.

Mario J. Gabelli	Over \$1,000,000
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DIVIDENDS AND DISTRIBUTIONS

The Fund, along with other closed-end registered investment companies advised by the Investment Adviser, has obtained an exemption from Section 19(b) of the 1940 Act and Rule 19b-1 thereunder permitting it to make periodic distributions of long-term capital gains provided that any distribution policy of the Fund with respect to its common shares calls for periodic (*e.g.*, quarterly or semi-annually, but in no event more frequently than monthly) distributions in an amount equal to a fixed percentage of the Fund's average net asset value over a specified period of time or market price per common share at or about the time of distribution or payment of a fixed dollar amount. The exemption also permits the Fund to make distributions with respect to its preferred shares in accordance with the terms of such shares. See Automatic Dividend Reinvestment and Voluntary Cash Purchase Plan.

If the total distributions required by a periodic pay-out policy exceed the Fund's net investment income and net capital gain, the excess will be treated as a return of capital. Shareholders who periodically receive the payment of a dividend or other distribution consisting of a return of capital may be under the impression that they are receiving net profits when they are not. Shareholders should not assume that the source of a distribution from the Fund is net profit. Distributions sourced from paid-in-capital should not be considered the current yield or the total return from an investment in the Fund. If the Fund's net investment income (including net short-term capital gains) and net long-term capital gains for any year exceed the amount required to be distributed under a periodic pay-out policy, the Fund generally intends to pay such excess once a year, but may, in its discretion, retain and not distribute net long-term capital gains to the extent of such excess. The Fund reserves the right, but does not currently intend, to retain for reinvestment and pay the resulting U.S. federal income taxes on the excess of its net realized long-term capital gains over its net short-term capital losses, if any. See Automatic Dividend Reinvestment and Voluntary Cash Purchase Plans.

AUCTIONS FOR AUCTION RATE PREFERRED SHARES

The Fund's Series B Auction Rate Preferred is a type of preferred shares that pays dividends that vary over time. Prior to February 2008, the dividend rates were set through auctions run by an independent auction agent. Since February 2008, the auctions have failed and have continued to fail. Failure means that more Auction Rate Preferred Shares are offered for sale in the auction than there are bids to buy shares. During this period while auctions have continued to fail, holders of the Fund's Auction Rate Preferred have received dividends at a maximum rate determined by reference to short term rates, rather than at a price set by auction. If auctions were to resume functioning, they would operate in accordance with the procedures described below.

Summary of Auction Procedures

The following is a brief summary of the auction procedures for preferred shares that are auction rate preferred shares. These auction procedures are complicated, and there are exceptions to these procedures. Many of the terms in this section have a special meaning. Accordingly, this description does not purport to be complete and is qualified, in its entirety, by reference to the Fund's Charter, including the provisions of the Statement of Preferences establishing any series of auction rate preferred shares.

The auctions determine the dividend rate for auction rate preferred shares, but each dividend rate will not be higher than the maximum rate. If you own auction rate preferred shares, you may instruct your broker-dealer to enter one of three kinds of orders in the auction with respect to your shares: sell, bid and hold.

If you enter a sell order, you indicate that you want to sell auction rate preferred shares at their liquidation preference per share, no matter what the next dividend period's rate will be.

If you enter a bid (or hold at a rate) order, which must specify a dividend rate, you indicate that you want to sell auction rate preferred shares only if the next dividend period's rate is less than the rate you specify.

Table of Contents

If you enter a hold order you indicate that you want to continue to own auction rate preferred shares, no matter what the next dividend period's rate will be.

You may enter different types of orders for different portions of your auction rate preferred shares. You may also enter an order to buy additional auction rate preferred shares. All orders must be for whole shares of stock. All orders you submit are irrevocable. There is a fixed number of auction rate preferred shares, and the dividend rate likely will vary from auction to auction depending on the number of bidders, the number of shares the bidders seek to buy, the rating of the auction rate preferred shares and general economic conditions including current interest rates. If you own auction rate preferred shares and submit a bid for them higher than the then-maximum rate, your bid will be treated as a sell order. If you do not enter an order, the broker-dealer will assume that you want to continue to hold auction rate preferred shares, but if you fail to submit an order and the dividend period is longer than 28 days, the broker-dealer will treat your failure to submit a bid as a sell order.

If you do not then own auction rate preferred shares, or want to buy more shares, you may instruct a broker-dealer to enter a bid order to buy shares in an auction at the liquidation preference per share at or above the dividend rate you specify. If your bid for shares you do not own specifies a rate higher than the then-maximum rate, your bid will not be considered.

Broker-dealers will submit orders from existing and potential holders of auction rate preferred shares to the auction agent. Neither the Fund nor the auction agent will be responsible for a broker-dealer's failure to submit orders from existing or potential holders of auction rate preferred shares. A broker-dealer's failure to submit orders for auction rate preferred shares held by it or its customers will be treated in the same manner as a holder's failure to submit an order to the broker-dealer. A broker-dealer may submit orders to the auction agent for its own account. The Fund may not submit an order in any auction.

After each auction for the auction rate preferred shares the auction agent will pay to each broker-dealer, from funds provided by the Fund, a service charge equal to, in the case shares of any auction immediately preceding a dividend period of less than 365 days, the product of (i) a fraction, the numerator of which is the number of days in such dividend period and the denominator of which is 365, times (ii) $\frac{1}{4}$ of 1%, times (iii) the liquidation preference per share, times (iv) the aggregate number of auction rate preferred shares placed by such broker-dealer at such auction or, in the case of any auction immediately preceding a dividend period of one year or longer, a percentage of the purchase price of the auction rate preferred shares placed by the broker-dealer at the auction agreed to by the Fund and the broker-dealers.

If the number of auction rate preferred shares subject to bid orders by potential holders with a dividend rate equal to or lower than the then-maximum rate is at least equal to the number of auction rate preferred shares subject to sell orders, then the dividend rate for the next dividend period will be the lowest rate submitted which, taking into account that rate and all lower rates submitted in order from existing and potential holders, would result in existing and potential holders owning all the auction rate preferred shares available for purchase in the auction.

If the number of auction rate preferred shares subject to bid orders by potential holders with a dividend rate equal to or lower than the then-maximum rate is less than the number of auction rate preferred shares subject to sell orders, then the auction is considered to be a failed auction, and the dividend rate will be the maximum rate. In that event, existing holders that have submitted sell orders (or are treated as having submitted sell orders) may not be able to sell any or all of the auction rate preferred shares offered for sale than there are buyers for those shares.

If broker-dealers submit or are deemed to submit hold orders for all outstanding auction rate preferred shares, the auction is considered an all hold auction and the dividend rate for the next dividend period will be the all hold rate, which is 80% of the AA Financial Composite Commercial Paper Rate, as determined in accordance with procedures set forth in the Articles Supplementary establishing the auction rate preferred shares.

The auction procedures include a *pro rata* allocation of auction rate preferred shares for purchase and sale. This allocation process may result in an existing holder continuing to hold or selling, or a potential holder buying, fewer shares than the number of shares of auction rate preferred shares in its order. If this happens, broker-dealers will be required to make appropriate *pro rata* allocations among their respective customers.

Settlement of purchases and sales will be made on the next business day (which also is a dividend payment date) after the auction date through DTC. Purchasers will pay for their auction rate preferred shares through broker-dealers in same-day funds to DTC against delivery to the broker-dealers. DTC will make payment to the sellers' broker-dealers

in accordance with its normal procedures, which require broker-dealers to make payment against delivery in same-day funds. As used in this SAI, a business day is a day on which the NYSE is open for trading, and which is not a Saturday, Sunday or any other day on which banks in New York City are authorized or obligated by law to close.

Table of Contents

The first auction for a series of auction rate preferred shares will be held on the date specified in the Prospectus Supplement for such series, which will be the business day preceding the dividend payment date for the initial dividend period. Thereafter, except during special dividend periods, auctions for such series auction rate preferred shares normally will be held within the frequency specified in the Prospectus Supplement for such series, and each subsequent dividend period for such series auction rate preferred shares normally will begin on the following day.

If an auction is not held because an unforeseen event or unforeseen events cause a day that otherwise would have been an auction date not to be a business day, then the length of the then-current dividend period will be extended by seven days (or a multiple thereof if necessary because of such unforeseen event or events), the applicable rate for such period will be the applicable rate for the then-current dividend period so extended and the dividend payment date for such dividend period will be the first business day immediately succeeding the end of such period.

The following is a simplified example of how a typical auction works. Assume that the Fund has 1,000 outstanding shares of auction rate preferred shares and three current holders. The three current holders and three potential holders submit orders through broker-dealers at the auction.

Current Holder A	Owns 500 shares, wants to sell all 500 shares if auction rate is less than 4.6%	Bid order at 4.6% rate for all 500 shares
Current Holder B	Owns 300 shares, wants to hold	Hold order will take the auction rate
Current Holder C	Owns 200 shares, wants to sell all 200 shares if auction rate is less than 4.4%	Bid order at 4.4% rate for all 200 shares
Potential Holder D	Wants to buy 200 shares	Places order to buy at or above 4.5%
Potential Holder E	Wants to buy 300 shares	Places order to buy at or above 4.4%
Potential Holder F	Wants to buy 200 shares	Places order to buy at or above 4.6%

The lowest dividend rate that will result in all 1,000 auction rate preferred shares continuing to be held is 4.5% (the offer by D). Therefore, the dividend rate will be 4.5%. Current holders B and C will continue to own their shares. Current holder A will sell its shares because A's dividend rate bid was higher than the dividend rate: Potential holder D will buy 200 shares and potential holder E will buy 300 shares because their bid rates were at or below the dividend rate. Potential holder F will not buy any shares because its bid rate was above the dividend rate.

Secondary Market Trading and Transfer of Auction Rate Preferred Shares

The underwriters shall not be required to make a market in the auction rate preferred shares. The broker-dealers (including the underwriters) may maintain a secondary trading market for outside of auctions, but they are not required to do so. There can be no assurance that a secondary trading market for the auction rate preferred shares will develop or, if it does develop, that it will provide owners with liquidity of investment. The auction rate preferred shares will not be registered on any stock exchange. Investors who purchase auction rate preferred shares in an auction for a special dividend period should note that because the dividend rate on such shares will be fixed for the length of that dividend period, the value of such shares may fluctuate in response to the changes in interest rates and may be more or less than their original cost if sold on the open market in advance of the next auction thereof, depending on market conditions.

You may sell, transfer, or otherwise dispose of the auction rate preferred shares in the auction process only in whole shares and only pursuant to a bid or sell order placed with the auction agent in accordance with the auction procedures, to the Fund or its affiliates or to or through a broker-dealer that has been selected by the Fund or to such other persons as may be permitted by the Fund. However, if you hold your auction rate preferred shares in the name of a broker-dealer, a sale or transfer of your auction rate preferred shares to that broker dealer, or to another customer of that broker-dealer, will not be considered a sale or transfer for purposes of the foregoing if the shares remain in the name of the broker-dealer immediately after your transaction. In addition, in the case of all transfers other than

through an auction, the broker-dealer (or other person, if the Fund permits) receiving the transfer must advise the auction agent of the transfer. These procedures would not limit a holder's ability to sell its auction rate preferred shares in a secondary market transaction.

Table of Contents

PORTFOLIO TRANSACTIONS

Subject to policies established by the Board, the Investment Adviser is responsible for placing purchase and sale orders and the allocation of brokerage on behalf of the Fund. Transactions in equity securities are in most cases effected on U.S. stock exchanges and involve the payment of negotiated brokerage commissions. There may be no stated commission in the case of securities traded in over-the-counter markets, but the prices of those securities may include undisclosed commissions or mark-ups. Principal transactions are not entered into with affiliates of the Fund. However, Gabelli & Company, Inc. may execute transactions in the over-the-counter markets on an agency basis and receive a stated commission therefrom. To the extent consistent with applicable provisions of the 1940 Act and the rules and exemptions adopted by the SEC thereunder, as well as other regulatory requirements, the Board has determined that portfolio transactions may be executed through Gabelli & Company, Inc. and its broker-dealer affiliates if, in the judgment of the Investment Adviser, the use of those broker-dealers is likely to result in price and execution at least as favorable as those of other qualified broker-dealers, and if, in particular transactions, the affiliated broker-dealers charge the Fund a rate consistent with that charged to comparable unaffiliated customers in similar transactions and comparable to rates charged by other broker-dealers for similar transactions. The Fund has no obligations to deal with any broker or group of brokers in executing transactions in portfolio securities. In executing transactions, the Investment Adviser seeks to obtain the best price and execution for the Fund, taking into account such factors as price, size of order, difficulty of execution and operational facilities of the firm involved and the firm's risk in positioning a block of securities. While the Investment Adviser generally seeks reasonably competitive commission rates, the Fund does not necessarily pay the lowest commission available.

Subject to obtaining the best price and execution, brokers who provide supplemental research, market and statistical information, or other services (e.g., wire services) to the Investment Adviser or its affiliates may receive orders for transactions by the Fund. The term "research, market and statistical information" includes advice as to the value of securities, and advisability of investing in, purchasing or selling securities, and the availability of securities or purchasers or sellers of securities, and furnishing analyses and reports concerning issues, industries, securities, economic factors and trends, portfolio strategy and the performance of accounts. Information so received will be in addition to and not in lieu of the services required to be performed by the Investment Adviser under the Advisory Agreement and the expenses of the Investment Adviser will not necessarily be reduced as a result of the receipt of such supplemental information. Such information may be useful to the Investment Adviser and its affiliates in providing services to clients other than the Fund, and not all such information is used by the Investment Adviser in connection with the Fund. Conversely, such information provided to the Investment Adviser and its affiliates by brokers and dealers through whom other clients of the Investment Adviser and its affiliates effect securities transactions may be useful to the Investment Adviser in providing services to the Fund.

Although investment decisions for the Fund are made independently from those for the other accounts managed by the Investment Adviser and its affiliates, investments of the kind made by the Fund may also be made for those other accounts. When the same securities are purchased for or sold by the Fund and any of such other accounts, it is the policy of the Investment Adviser and its affiliates to allocate such purchases and sales in a manner deemed fair and equitable over time to all of the accounts, including the Fund.

For the fiscal years ended December 31, 2008, December 31, 2009 and December 31, 2010, the Fund paid a total of \$38,268, \$20,304, and \$25,977, respectively, in brokerage commissions, of which Gabelli & Company and its affiliates received, \$29,726, \$20,304, and \$25,976, respectively. The amount received by Gabelli & Company and its affiliates from the Fund in respect of brokerage commissions for the fiscal year ended December 31, 2010 represented approximately 94% of the aggregate dollar amount of brokerage commissions paid by the Fund for such period and approximately 86% of the aggregate dollar amount of transactions by the Fund for such period.

Table of Contents**PORTFOLIO TURNOVER**

The portfolio turnover rates of the Fund for the fiscal years ending December 31, 2009 and December 31, 2010 were 4% and 1%, respectively. The Fund does not engage in the trading of securities for the purpose of realizing short-term profits, but adjusts its portfolio as it deems advisable in view of prevailing or anticipated market conditions to accomplish its investment objective. Portfolio turnover rate is calculated by dividing the lesser of an investment company's annual sales or purchases of portfolio securities by the monthly average value of securities in its portfolio during the year, excluding portfolio securities the maturities of which at the time of acquisition were one year or less. A high rate of portfolio turnover involves correspondingly greater brokerage commission expense than a lower rate, which expense must be borne by the Fund and indirectly by its shareholders. The portfolio turnover rate may vary from year to year and will not be a factor when the Investment Adviser determines that portfolio changes are appropriate. A higher rate of portfolio turnover may also result in taxable gains being passed to shareholders sooner than would otherwise be the case.

TAXATION

The following discussion is a brief summary of certain federal income tax considerations affecting the Fund and the purchase, ownership and disposition of the Fund's shares. 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 Internal Revenue Code of 1986, as amended (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 federal tax concerns affecting the Fund and its shareholders (including shareholders owning large positions in the Fund).

The discussions set forth herein and in the Prospectus do 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 qualified, and intends to continue to qualify, as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended (the Code) (a RIC). Accordingly, the Fund will, among other things, (i) derive in each taxable year at least 90% of its gross income from (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 from options, futures and forward contracts) derived with respect to its business of investing in such stock, securities or currencies and (b) net income derived from interests in certain 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); and (ii) diversify its holdings so that, at the end of each quarter of each taxable year (a) at least 50% of the value of its 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 value of the Fund's total assets is invested in the securities of (I) any one issuer (other than U.S. government securities and the securities of other RICs), (II) any two or more issuers in which the Fund owns more than 20% or more of the voting securities 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.

The investments of the Fund in partnerships, including Qualified Publicly Traded Partnerships, may result in the Fund being subject to state, local, or foreign income, franchise or withholding tax liabilities. Although in general the passive loss

Table of Contents

rules of the Code do not apply to regulated investment companies, such rules do apply to a regulated investment company with respect to items attributable to an interest in a qualified publicly traded partnership.

As a RIC, the Fund generally is not or will not be, as the case may be, subject to U.S. federal income tax on income and gains that it distributes each taxable year to shareholders, if it distributes at least 90% of the sum of the Fund's (i) 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) its net tax-exempt interest (the excess of its gross tax-exempt interest over certain disallowed deductions). The Fund intends to distribute at least annually substantially all of such income.

Amounts not distributed on a timely basis in accordance with a calendar year distribution requirement are subject to a nondeductible 4% excise tax at the Fund level. To avoid the tax, the Fund must distribute during each 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, (ii) 98.2% 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), and (iii) certain undistributed amounts from previous years on which a fund paid no federal income tax. 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 avoid entirely the imposition of the tax. In that event, the Fund will be liable for the tax only on the amount by which it does not meet the foregoing distribution requirement.

A distribution will be treated as paid during the calendar year if it is paid during the calendar year or declared by the Fund in October, November or December of the year, payable to shareholders of record on a date during such a month and paid by the Fund during January of the following year. Any such distributions paid during January of the following year will be deemed to be received no later than December 31 of the year the distributions are declared, rather than when the distributions are received.

If the Fund were unable to satisfy the 90% distribution requirement or otherwise were to fail to qualify as a RIC in any year, it would be taxed in the same manner as an ordinary corporation and distributions to the Fund's shareholders would not be deductible by the Fund in computing its taxable income. To qualify again to be taxed as a RIC in a subsequent year, the Fund would be required to distribute to its shareholders its earnings and profits attributable to non-RIC years. In addition, if the Fund failed to qualify as a RIC for a period greater than two taxable years, then the Fund would be required to elect to recognize and pay tax on any net built-in gain (the excess of aggregate gain, including items of income, over aggregate loss that would have been realized if the Fund had been liquidated) or, alternatively, be subject to taxation on such built-in gain recognized for a period of ten years, in order to qualify as a RIC in a subsequent year.

Gain or loss on the sales of securities by the Fund will generally be long-term capital gain or loss if the securities have been held by the Fund for more than one year. Gain or loss on the sale of securities held for one year or less will be short-term capital gain or loss.

Foreign currency gain or loss on non-U.S. dollar-denominated securities and on any non-U.S. dollar-denominated futures contracts, options and forward contracts that are not section 1256 contracts (as defined below) generally will be treated as ordinary income and loss.

Investments by the Fund in certain passive foreign investment companies (PFICs) could subject such fund to federal income tax (including interest charges) on certain distributions or dispositions with respect to those investments which cannot be eliminated by making distributions to shareholders. Elections may be available to the Fund to mitigate the effect of this tax provided that the PFIC complies with certain reporting requirements, but such elections generally accelerate the recognition of income without the receipt of cash. Dividends paid by PFICs will not qualify for the reduced tax rates discussed below under Taxation of Shareholders.

The Fund may invest in debt obligations purchased at a discount with the result that the Fund may be required to accrue income for U.S. federal income tax purposes before amounts due under the obligations are paid. The Fund may also invest in securities rated in the medium to lower rating categories of nationally recognized rating organizations, and in unrated securities (high yield securities). A portion of the interest payments on such high yield securities may

be treated as dividends for certain U.S. federal income tax purposes.

As a result of investing in stock of PFICs or securities purchased at a discount or any other investment that produces income that is not matched by a corresponding cash distribution to the Fund, the Fund could be required to include in current

Table of Contents

income, income it has not yet received. Any such income would be treated as income earned by the Fund and therefore would be subject to the distribution requirements of the Code. This might prevent the Fund from distributing 90% of its investment company taxable income as is required in order to avoid Fund-level federal income taxation on all of its income, or might prevent the Fund from distributing enough ordinary income and capital gain net income to avoid completely the imposition of the excise tax. To avoid this result, the Fund may be required to borrow money or dispose of securities to be able to make distributions to its shareholders.

If the Fund does not meet the asset coverage requirements of the 1940 Act and the Statement of Preferences, the Fund will be required to suspend distributions to the holders of common shares until the asset coverage is restored. Such a suspension of distributions might prevent the Fund from distributing 90% of its investment company taxable income as is required in order to avoid fund-level federal income taxation on all of its income, or might prevent the fund from distributing enough income and capital gain net income to avoid completely imposition of the excise tax.

Certain of the Fund's investment practices are subject to special and complex U.S. federal income tax provisions that may, among other things, (i) disallow, suspend or otherwise limit the allowance of certain losses or deductions, (ii) convert lower taxed long-term capital gains into higher taxed short-term capital gains or ordinary income, (iii) convert ordinary loss or a deduction into capital loss (the deductibility of which is more limited), (iv) cause a fund to recognize income or gain without a corresponding receipt of cash, (v) adversely affect the time as to when a purchase or sale of stock or securities is deemed to occur, (vi) adversely alter the characterization of certain complex financial transactions and (vii) produce income that will not qualify as good income for purposes of the 90% annual gross income requirement described above. The Fund will monitor its transactions and may make certain tax elections to mitigate the effect of these rules and prevent disqualification of the fund as a regulated investment company.

Foreign Taxes

Since the Fund may invest in foreign securities, income from such securities may be subject to non-U.S. taxes. The Fund expects to invest less than 35% of its total assets in foreign securities. As long as the Fund continues to invest less than 35% of its assets in foreign securities it will not be eligible to elect to pass-through to shareholders of a fund the ability to use the foreign tax deduction or foreign tax credit for foreign taxes paid with respect to qualifying taxes.

Taxation of Shareholders

The Fund will determine either to distribute or to retain for reinvestment all or part of its net capital gain. If any such gain is retained, the Fund will be subject to a tax of 35% of such amount. In that event, the Fund expects to designate the retained amount as undistributed capital gain in a notice to its shareholders, each of whom (i) will be required to include in income for tax purposes as long-term capital gain its share of such undistributed amounts, (ii) will be entitled to credit its proportionate share of the tax paid by the Fund against its federal income tax liability and to claim refunds to the extent that the credit exceeds such liability and (iii) will increase its basis in its shares of the Fund by an amount equal to 65% of the amount of undistributed capital gain included in such shareholder's gross income.

Distributions paid by the Fund from its investment company taxable income, which includes net short-term capital gain, generally are taxable as ordinary income to the extent of the Fund's earnings and profits. Such distributions, if reported by the Fund, may, however, qualify (provided holding period and other requirements are met by the Fund and its shareholders) (i) for the dividends received deduction available to corporations, but only to the extent that the Fund's income consists of dividend income from U.S. corporations and (ii) for taxable years beginning on or before December 31, 2012, as qualified dividend income eligible for the reduced maximum federal tax rate to individuals of generally 15% (currently 0% for individuals in lower tax brackets) to the extent that the Fund receives qualified dividend income. Qualified dividend income is, in general, dividend income from taxable domestic corporations and certain qualified foreign corporations (e.g., generally, foreign corporations incorporated in a possession of the United States or in certain countries with a qualifying comprehensive tax treaty with the United States, or whose shares with respect to which such dividend is paid is readily tradable on an established securities market in the United States). A qualified foreign corporation does not include a foreign corporation which for the taxable year of the corporation in which the dividend was paid, or the preceding taxable year, is a PFIC. If the Fund engages in certain securities lending transactions, the amount received by the Fund that is the equivalent of the dividends paid by the issuer on the securities loaned will not be eligible for qualified dividend income treatment. Distributions of net capital gain reported

as capital gain distributions, if any, are taxable to shareholders at rates applicable to long-term capital gain, whether paid in cash or in shares, and regardless of how long the shareholder has held the Fund's shares. Capital gain distributions are not eligible for the dividends received deduction. The maximum federal tax rate on net long-term capital gain is currently 15% (for individuals in lower brackets). The maximum rate on long-term capital gain is scheduled to rise to 20% for gains realized in taxable years beginning after December 31, 2012. Unrecaptured Section 1250

Table of Contents

gain distributions, if any, will be subject to a 25% tax. Distributions in excess of the Fund's earnings and profits will first reduce the adjusted tax basis of a holder's shares and, after such adjusted tax basis is reduced to zero, will constitute capital gain to such holder (assuming the shares are held as a capital asset). Investment company taxable income (other than qualified dividend income) will currently be taxed at a maximum rate of 35%. For corporate taxpayers, both investment company taxable income and net capital gain are taxed at a maximum rate of 35%.

Beginning in 2013, a 3.8 percent Medicare contribution tax will be imposed on net investment income, including interest, dividends, and capital gain, of U.S. individuals with income exceeding \$200,000 (or \$250,000 if married filing jointly), and of estates and trusts.

If an individual receives a dividend that is eligible for qualified dividend income treatment, and such dividend constitutes an extraordinary dividend, any loss on the sale or exchange of shares in respect of which the extraordinary dividend was paid, then the loss will be long-term capital loss to the extent of such extraordinary dividend. An extraordinary dividend for this purpose is generally a dividend (i) in an amount greater than or equal to 5% of the taxpayer's tax basis (or trading value) in a share of stock, aggregating dividends with ex-dividend dates within an 85-day period or (ii) in an amount greater than 20% of the taxpayer's tax basis (or trading value) in a share of stock, aggregating dividends with ex-dividend dates within a 365-day period.

The IRS currently requires that a registered investment company that has two or more classes of stock allocate to each such class proportionate amounts of each type of its income (such as ordinary income, capital gains, dividends qualifying for the dividends received deduction (DRD) and qualified dividend income) based upon the percentage of total dividends paid out of current or accumulated earnings and profits to each class for the tax year. Accordingly, the Fund intends each year to allocate capital gain dividends, dividends qualifying for the DRD and dividends that constitute qualified dividend income, if any, between its common shares and preferred shares in proportion to the total dividends paid out of current or accumulated earnings and profits to each class with respect to such tax year. Distributions in excess of the Fund's current and accumulated earnings and profits, if any, however, will not be allocated proportionately among the common shares and preferred shares. Since the Fund's current and accumulated earnings and profits will first be used to pay dividends on its preferred shares, distributions in excess of such earnings and profits, if any, will be made disproportionately to holders of common shares.

Shareholders may be entitled to offset their capital gain distributions (but not distributions eligible for qualified dividend income treatment) with capital loss. There are a number of statutory provisions affecting when capital loss may be offset against capital gain, and limiting the use of loss from certain investments and activities. Accordingly, shareholders with capital loss are urged to consult their tax advisers.

The price of shares purchased at any time may reflect the amount of a forthcoming distribution. Those purchasing shares just prior to a distribution will receive a distribution which will be taxable to them even though it represents in part a return of invested capital.

Certain types of income received by the Fund from real estate investment trusts (REITs), real estate mortgage investment conduits (REMICs), taxable mortgage pools or other investments may cause the Fund to report some or all of its distributions as excess inclusion income. To Fund shareholders such excess inclusion income may (1) constitute taxable income, as unrelated business taxable income (UBTI) for those shareholders who would otherwise be tax-exempt such as individual retirement accounts, 401(k) accounts, Keogh plans, pension plans and certain charitable entities; (2) not be offset by otherwise allowable deductions for tax purposes; (3) not be eligible for reduced U.S. withholding for non-U.S. shareholders even from tax treaty countries; and (4) cause the Fund to be subject to tax if certain disqualified organizations as defined by the Code are Fund shareholders.

Upon a sale, exchange, redemption or other disposition of shares, a shareholder will generally realize a taxable gain or loss equal to the difference between the amount of cash and the fair market value of other property received and the shareholder's adjusted tax basis in the shares. Such gain or loss will be treated as long-term capital gain or loss if the shares have been held for more than one year. Any loss realized on a sale or exchange will be disallowed to the extent the shares disposed of are replaced by substantially identical shares within a 61-day period beginning 30 days before and ending 30 days after the date that the shares are disposed of. In such a case, the basis of the shares acquired will be adjusted to reflect the disallowed loss.

Any loss realized by a shareholder on the sale of Fund shares held by the shareholder for six months or less will be treated for tax purposes as a long-term capital loss to the extent of any capital gain distributions received by the shareholder (or amounts credited to the shareholder as an undistributed capital gain) with respect to such shares.

Table of Contents

Ordinary income distributions and capital gain distributions also may be subject to state and local taxes. Shareholders are urged to consult their own tax advisers regarding specific questions about federal (including the application of the alternative minimum tax rules), state, local or foreign tax consequences to them of investing in the Fund.

Shareholders will receive, if appropriate, various written notices after the close of each of the Fund's taxable years regarding the U.S. federal income tax status of certain dividends, distributions and deemed distributions that were paid (or that are treated as having been paid) by the Fund to its shareholders during the preceding taxable year.

In certain situations, the Fund may, for a taxable year, defer all or a portion of its capital losses and currency losses realized after October and certain ordinary losses realized after December until the next taxable year in computing its investment company taxable income and net capital gain, which will defer the recognition of such realized losses. Such deferrals and other rules regarding gains and losses realized after October (or December) may affect the tax character of shareholder distributions.

If a shareholder recognizes a loss with respect to the Fund's shares of \$2 million or more for an individual shareholder or \$10 million or more for a corporate shareholder, the shareholder must file with the IRS a disclosure statement on Form 8886. Direct shareholders of portfolio securities are in many cases exempted from this reporting requirement, but under current guidance, shareholders of a regulated investment company are not exempted. The fact that a loss is reportable under these regulations does not affect the legal determination of whether the taxpayer's treatment of the loss is proper. Shareholders should consult their tax advisors to determine the applicability of these regulations in light of their individual circumstances.

Dividends paid or distributions made by the Fund to shareholders who are non-resident aliens or foreign entities (foreign investors) are generally subject to withholding tax at a 30% rate or a reduced rate specified by an applicable income tax treaty to the extent derived from investment income and short-term capital gains. In order to obtain a reduced rate of withholding, a foreign investor will be required to provide an IRS Form W-8BEN certifying its entitlement to benefits under a treaty. The withholding tax does not apply to regular dividends paid or distributions made to a foreign investor who provides a Form W-8ECI, certifying that the dividends or distributions are effectively connected with the foreign investor's conduct of a trade or business within the United States. Instead, the effectively connected dividends or distributions will be subject to regular U.S. income tax as if the foreign investor were a U.S. shareholder. A non-U.S. corporation receiving effectively connected dividends or distributions may also be subject to additional branch profits tax imposed at a rate of 30% (or lower treaty rate). A foreign investor who fails to provide an IRS Form W-8BEN or other applicable form may be subject to backup withholding at the appropriate rate.

A 30% withholding tax will be imposed on dividends and redemption proceeds paid after December 31, 2012, to (i) foreign financial institutions including non-U.S. investment funds unless they agree to collect and disclose to the IRS information regarding their direct and indirect U.S. account holders and (ii) certain other foreign entities unless they certify certain information regarding their direct and indirect U.S. owners. To avoid withholding, foreign financial institutions will need to enter into agreements with the IRS regarding providing the IRS information including the name, address and taxpayer identification number of direct and indirect U.S. account holders, to comply with due diligence procedures with respect to the identification of U.S. accounts, to report to the IRS certain information with respect to U.S. accounts maintained, to agree to withhold tax on certain payments made to non-compliant foreign financial institutions or to account holders who fail to provide the required information, and to determine certain other information as to their account holders. Other foreign entities will need to provide the name, address, and taxpayer identification number of each substantial U.S. owner or certifications of no substantial U.S. ownership unless certain exceptions apply.

In general, United States federal withholding tax will not apply to any gain or income realized by a foreign investor in respect of any distributions of net long-term capital gains over net short-term capital losses, exempt-interest dividends, or upon the sale or other disposition of shares of the Fund.

Backup Withholding

The Fund may be required to withhold U.S. federal income tax on all taxable distributions and redemption proceeds payable to non-corporate shareholders who fail to provide the Fund with their correct taxpayer identification number or to make required certifications, or who have been notified by the IRS that they are subject to backup

withholding. Backup withholding is not an additional tax. Any amounts withheld may be refunded or credited against such shareholder's U.S. federal income tax liability, if any, provided that the required information is furnished to the IRS.

The foregoing is a general and abbreviated summary of the applicable provisions of the Code and Treasury regulations presently in effect. For the complete provisions, reference should be made to the pertinent Code sections and the Treasury regulations promulgated thereunder. The Code and the Treasury regulations are subject to change by legislative, judicial or

Table of Contents

administrative action, either prospectively or retroactively. Persons considering an investment in shares of the Fund should consult their own tax advisers regarding the purchase, ownership and disposition of shares of the Fund.

The foregoing is a general and abbreviated summary of the applicable provisions of the Code and Treasury regulations presently in effect. For the complete provisions, reference should be made to the pertinent Code sections and the Treasury regulations promulgated thereunder. The Code and the Treasury regulations are subject to change by legislative, judicial or administrative action, either prospectively or retroactively. Persons considering an investment in shares of the Fund should consult their own tax advisers regarding the purchase, ownership and disposition of Fund shares.

BENEFICIAL OWNERS

As of December 31, 2010, there were no persons known to the Fund to be beneficial owners of more than 5% of the Fund's outstanding common shares.

As of December 31, 2010, the Trustees and Officers of the Fund as a group beneficially owned less than 1% of the Fund's outstanding common shares.

GENERAL INFORMATION

Book-Entry-Only Issuance

The Depository Trust Company (DTC) will act as securities depository for the securities offered pursuant to the Prospectus. The information in this section concerning DTC and DTC's book-entry system is based upon information obtained from DTC. The securities offered hereby initially will be issued only as fully-registered securities registered in the name of Cede & Co. (as nominee for DTC). One or more fully-registered global security certificates initially will be issued, representing in the aggregate the total number of securities, and deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code and a clearing agency registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants deposit with DTC. DTC also facilitates the settlement among participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct DTC participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly through other entities.

Purchases of securities within the DTC system must be made by or through direct participants, which will receive a credit for the securities on DTC's records. The ownership interest of each actual purchaser of a security, a beneficial owner, is in turn to be recorded on the direct or indirect participants' records. Beneficial owners will not receive written confirmation from DTC of their purchases, but beneficial owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the direct or indirect participants through which the beneficial owners purchased securities. Transfers of ownership interests in securities are to be accomplished by entries made on the books of participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interests in securities, except as provided herein.

DTC has no knowledge of the actual beneficial owners of the securities being offered pursuant to the prospectus; DTC's records reflect only the identity of the direct participants to whose accounts such securities are credited, which may or may not be the beneficial owners. The participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants, and by direct participants and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Table of Contents

Payments on the securities will be made to DTC. DTC's practice is to credit direct participants' accounts on the relevant payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payments on such payment date. Payments by participants to beneficial owners will be governed by standing instructions and customary practices and will be the responsibility of such participant and not of DTC or the Fund, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of distributions to DTC is the responsibility of the Fund, disbursement of such payments to direct participants is the responsibility of DTC, and disbursement of such payments to the beneficial owners is the responsibility of direct and indirect participants. Furthermore each beneficial owner must rely on the procedures of DTC to exercise any rights under the securities.

DTC may discontinue providing its services as securities depository with respect to the securities at any time by giving reasonable notice to the Fund. Under such circumstances, in the event that a successor securities depository is not obtained, certificates representing the securities will be printed and delivered.

Proxy Voting Procedures

The Fund has adopted the proxy voting procedures of the Investment Adviser and has directed the Investment Adviser to vote all proxies relating to the Fund's voting securities in accordance with such procedures. The proxy voting procedures are attached. They are also on file with the Securities and Exchange Commission and can be reviewed and copied at the Securities and Exchange Commission's Public Reference Room in Washington, D.C., and information on the operation of the Public Reference Room may be obtained by calling the Securities and Exchange Commission at 202-551-8090. The proxy voting procedures are also available on the EDGAR Database on the Securities and Exchange Commission's internet site (<http://www.sec.gov>) and copies of the proxy voting procedures may be obtained, after paying a duplicating fee, by electronic request at the follow E-mail address: publicinfo@sec.gov, or by writing the Securities and Exchange Commission's Public Reference Section, Washington, D.C. 20549-0102.

Code of Ethics

The Fund and the Investment Adviser have adopted a code of ethics under Rule 17j-1 under the 1940 Act. The code of ethics permits personnel, subject to the code of ethics and its restrictive provisions, to invest in securities, including securities that may be purchased or held by a fund in the Fund Complex. This code of ethics sets forth restrictions on the trading activities of trustees/directors, officers and employees of the Fund, the Investment Adviser and their affiliates. For example, such persons may not purchase any security for which the Fund has a purchase or sale order pending, or for which such trade is under consideration. In addition, those trustees/directors, officers and employees that are principally involved in investment decisions for client accounts are prohibited from purchasing or selling for their own account for a period of seven days a security that has been traded for a client's account, unless such trade is executed on more favorable terms for the client's account and it is determined that such trade will not adversely affect the client's account. Short-term trading by such trustees/directors, officers and employees for their own accounts in securities held by a Fund client's account is also restricted. The above examples are subject to certain exceptions and they do not represent all of the trading restrictions and policies set forth by the code of ethics. The code of ethics is on file with the SEC and can be reviewed and copied at the SEC's Public Reference Room in Washington, D.C., and information on the operation of the Public Reference Room may be obtained by calling the SEC at (202) 551-8090. The code of ethics is also available on the EDGAR Database on the SEC's Internet site at <http://www.sec.gov>, and copies of the code of ethics may be obtained, after paying a duplicating fee, by electronic request at the following E-mail address: publicinfo@sec.gov, or by writing the SEC's Public Reference Room, Washington, D.C. 20549-0102.

Joint Code of Ethics for Chief Executive and Senior Financial Officers

The Fund and the Investment Adviser have adopted a joint code of ethics that serves as a code of conduct. The joint code of ethics sets forth policies to guide the chief executive and senior financial officers in the performance of their duties. The code of ethics is on file with the SEC and can be reviewed and copied at the SEC's Public Reference Room in Washington, D.C., and information on the operation of the Public Reference Room may be obtained by calling the SEC at 202-551-8090. The code of ethics is also available on the EDGAR Database on the SEC's Internet site (<http://www.sec.gov>), and copies of the code of ethics may be obtained, after paying a duplicating fee, by

electronic request at the following E-mail address: publicinfo@sec.gov, or by writing the SEC's Public Reference Room, Washington, D.C. 20549-0102.

Table of Contents

Financial Statements

The audited financial statements included in the annual report to the Fund's shareholders for the year ended December 31, 2010 and together with the report of [] for the Fund's annual report, are incorporated herein by reference to the Fund's annual report to shareholders. All other portions of the annual report to shareholders are not incorporated herein by reference and are not part of the registration statement, the SAI, the Prospectus or any Prospectus Supplement.

Independent Registered Public Accounting Firm

[] serves as the Independent Registered Public Accounting Firm of the Fund and audits the financial statements of the Fund. [] is located at [].

Table of Contents

APPENDIX A

**GAMCO INVESTORS, INC. AND AFFILIATES
THE VOTING OF PROXIES ON BEHALF OF CLIENTS**

Rules 204(4)-2 and 204-2 under the Investment Advisers Act of 1940 and Rule 30b1-4 under the Investment Company Act of 1940 require investment advisers to adopt written policies and procedures governing the voting of proxies on behalf of their clients.

These procedures will be used by GAMCO Asset Management Inc., Gabelli Funds, LLC, Gabelli Securities, Inc., and Teton Advisors, Inc. (collectively, the Advisers) to determine how to vote proxies relating to portfolio securities held by their clients, including the procedures that the Advisers use when a vote presents a conflict between the interests of the shareholders of an investment company managed by one of the Advisers, on the one hand, and those of the Advisers; the principal underwriter; or any affiliated person of the investment company, the Advisers, or the principal underwriter. These procedures will not apply where the Advisers do not have voting discretion or where the Advisers have agreed to with a client to vote the client s proxies in accordance with specific guidelines or procedures supplied by the client (to the extent permitted by ERISA).

I. Proxy Voting Committee

The Proxy Voting Committee was originally formed in April 1989 for the purpose of formulating guidelines and reviewing proxy statements within the parameters set by the substantive proxy voting guidelines originally published in 1988 and updated periodically, a copy of which are appended as Exhibit A. The Committee will include representatives of Research, Administration, Legal, and the Advisers. Additional or replacement members of the Committee will be nominated by the Chairman and voted upon by the entire Committee.

Meetings are held on an as needed basis to form views on the manner in which the Advisers should vote proxies on behalf of their clients.

In general, the Director of Proxy Voting Services, using the Proxy Guidelines, recommendations of Institutional Shareholder Corporate Governance Service (ISS), other third-party services and the analysts of Gabelli & Company, Inc., will determine how to vote on each issue. For non-controversial matters, the Director of Proxy Voting Services may vote the proxy if the vote is (1) consistent with the recommendations of the issuer s Board of Directors and not contrary to the Proxy Guidelines; (2) consistent with the recommendations of the issuer s Board of Directors and is a non-controversial issue not covered by the Proxy Guidelines; or (3) the vote is contrary to the recommendations of the Board of Directors but is consistent with the Proxy Guidelines. In those instances, the Director of Proxy Voting Services or the Chairman of the Committee may sign and date the proxy statement indicating how each issue will be voted.

All matters identified by the Chairman of the Committee, the Director of Proxy Voting Services or the Legal Department as controversial, taking into account the recommendations of ISS or other third party services and the analysts of Gabelli & Company, Inc., will be presented to the Proxy Voting Committee. If the Chairman of the Committee, the Director of Proxy Voting Services or the Legal Department has identified the matter as one that (1) is controversial; (2) would benefit from deliberation by the Proxy Voting Committee; or (3) may give rise to a conflict of interest between the Advisers and their clients, the Chairman of the Committee will initially determine what vote to recommend that the Advisers should cast and the matter will go before the Committee.

A. Conflicts of Interest.

The Advisers have implemented these proxy voting procedures in order to prevent conflicts of interest from influencing their proxy voting decisions. By following the Proxy Guidelines, as well as the recommendations of ISS, other third-party services and the analysts of Gabelli & Company, the Advisers are able to avoid, wherever possible, the influence of potential conflicts of interest. Nevertheless, circumstances may arise in which one or more of the Advisers are faced with a conflict of interest or the appearance of a conflict of interest in connection with its vote. In general, a conflict of interest may arise when an Adviser knowingly does business with an issuer, and may appear to have a material conflict between its own interests and

Table of Contents

the interests of the shareholders of an investment company managed by one of the Advisers regarding how the proxy is to be voted. A conflict also may exist when an Adviser has actual knowledge of a material business arrangement between an issuer and an affiliate of the Adviser.

In practical terms, a conflict of interest may arise, for example, when a proxy is voted for a company that is a client of one of the Advisers, such as GAMCO Asset Management Inc. A conflict also may arise when a client of one of the Advisers has made a shareholder proposal in a proxy to be voted upon by one or more of the Advisers. The Director of Proxy Voting Services, together with the Legal Department, will scrutinize all proxies for these or other situations that may give rise to a conflict of interest with respect to the voting of proxies.

B. Operation of Proxy Voting Committee

For matters submitted to the Committee, each member of the Committee will receive, prior to the meeting, a copy of the proxy statement, any relevant third party research, a summary of any views provided by the Chief Investment Officer and any recommendations by Gabelli & Company, Inc. analysts. The Chief Investment Officer or the Gabelli & Company, Inc. analysts may be invited to present their viewpoints. If the Director of Proxy Voting Services or the Legal Department believe that the matter before the committee is one with respect to which a conflict of interest may exist between the Advisers and their clients, counsel will provide an opinion to the Committee concerning the conflict. If the matter is one in which the interests of the clients of one or more of Advisers may diverge, counsel will so advise and the Committee may make different recommendations as to different clients. For any matters where the recommendation may trigger appraisal rights, counsel will provide an opinion concerning the likely risks and merits of such an appraisal action.

Each matter submitted to the Committee will be determined by the vote of a majority of the members present at the meeting. Should the vote concerning one or more recommendations be tied in a vote of the Committee, the Chairman of the Committee will cast the deciding vote. The Committee will notify the proxy department of its decisions and the proxies will be voted accordingly.

Although the Proxy Guidelines express the normal preferences for the voting of any shares not covered by a contrary investment guideline provided by the client, the Committee is not bound by the preferences set forth in the Proxy Guidelines and will review each matter on its own merits. Written minutes of all Proxy Voting Committee meetings will be maintained. The Advisers subscribe to ISS, which supplies current information on companies, matters being voted on, regulations, trends in proxy voting and information on corporate governance issues.

If the vote cast either by the analyst or as a result of the deliberations of the Proxy Voting Committee runs contrary to the recommendation of the Board of Directors of the issuer, the matter will be referred to legal counsel to determine whether an amendment to the most recently filed Schedule 13D is appropriate.

II. Social Issues and Other Client Guidelines

If a client has provided special instructions relating to the voting of proxies, they should be noted in the client's account file and forwarded to the proxy department. This is the responsibility of the investment professional or sales assistant for the client. In accordance with Department of Labor guidelines, the Advisers' policy is to vote on behalf of ERISA accounts in the best interest of the plan participants with regard to social issues that carry an economic impact. Where an account is not governed by ERISA, the Advisers will vote shares held on behalf of the client in a manner consistent with any individual investment/voting guidelines provided by the client. Otherwise the Advisers will abstain with respect to those shares.

III. Client Retention of Voting Rights

If a client chooses to retain the right to vote proxies or if there is any change in voting authority, the following should be notified by the investment professional or sales assistant for the client.

Operations

Legal Department

Table of Contents

Proxy Department

Investment professional assigned to the account

In the event that the Board of Directors (or a Committee thereof) of one or more of the investment companies managed by one of the Advisers has retained direct voting control over any security, the Proxy Voting Department will provide each Board Member (or Committee member) with a copy of the proxy statement together with any other relevant information including recommendations of ISS or other third-party services.

IV. Voting Records

The Proxy Voting Department will retain a record of matters voted upon by the Advisers for their clients. The Advisers will supply information on how an account voted its proxies upon request.

A letter is sent to the custodians for all clients for which the Advisers have voting responsibility instructing them to forward all proxy materials to:

[Adviser name]

Attn: Proxy Voting Department
One Corporate Center
Rye, New York 10580-1433

The sales assistant sends the letters to the custodians along with the trading/DTC instructions. Proxy voting records will be retained in compliance with Rule 204-2 under the Investment Advisers Act.

V. Voting Procedures

1. Custodian banks, outside brokerage firms and clearing firms are responsible for forwarding proxies directly to the Advisers.

Proxies are received in one of two forms:

Shareholder Vote Authorization Forms (VAFs) Issued by Broadridge Financial Solutions, Inc. (Broadridge)
VAFs must be voted through the issuing institution causing a time lag. Broadridge is an outside service contracted by the various institutions to issue proxy materials.

Proxy cards which may be voted directly.

2. Upon receipt of the proxy, the number of shares each form represents is logged into the proxy system according to security.

3. In the case of a discrepancy such as an incorrect number of shares, an improperly signed or dated card, wrong class of security, etc., the issuing custodian is notified by phone. A corrected proxy is requested. Any arrangements are made to insure that a proper proxy is received in time to be voted (overnight delivery, fax, etc.). When securities are out on loan on record date, the custodian is requested to supply written verification.

4. Upon receipt of instructions from the proxy committee (see Administrative), the votes are cast and recorded for each account on an individual basis.

Records have been maintained on the Proxy Edge system. The system is backed up regularly.

A-3

Table of Contents

PROXY EDGE RECORDS INCLUDE:

Security Name and Cusip Number
Date and Type of Meeting (Annual, Special, Contest) Client Name
Adviser or Fund Account Number
Directors Recommendation
How GAMCO voted for the client on each issue

5. VAFs are kept alphabetically by security. Records for the current proxy season are located in the Proxy Voting Department office. In preparation for the upcoming season, files are transferred to an offsite storage facility during January/February.

6. Shareholder Vote Authorization Forms issued by Broadridge are always sent directly to a specific individual at Broadridge.

7. If a proxy card or VAF is received too late to be voted in the conventional matter, every attempt is made to vote on one of the following manners:

VAFs can be faxed to Broadridge up until the time of the meeting. This is followed up by mailing the original form.

When a solicitor has been retained, the solicitor is called. At the solicitor's direction, the proxy is faxed.

8. In the case of a proxy contest, records are maintained for each opposing entity.

9. Voting in Person

(a) At times it may be necessary to vote the shares in person. In this case, a legal proxy is obtained in the following manner:

Banks and brokerage firms using the services at Broadridge:

The back of the VAF is stamped indicating that we wish to vote in person. The forms are then sent overnight to Broadridge. Broadridge issues individual legal proxies and sends them back via overnight (or the Adviser can pay messenger charges). A lead-time of at least two weeks prior to the meeting is needed to do this. Alternatively, the procedures detailed below for banks not using Broadridge may be implemented.

Banks and brokerage firms issuing proxies directly:

The bank is called and/or faxed and a legal proxy is requested.

All legal proxies should appoint:

REPRESENTATIVE OF [ADVISER NAME] WITH FULL POWER OF SUBSTITUTION.

(b) The legal proxies are given to the person attending the meeting along with the following supplemental material:
A limited Power of Attorney appointing the attendee an Adviser representative.

A list of all shares being voted by custodian only. Client names and account numbers are not included. This list must be presented, along with the proxies, to the Inspectors of Elections and/or tabulator at least one-half hour prior to the scheduled start of the meeting. The tabulator must qualify the votes (i.e. determine if the votes have previously been cast, if the votes have been rescinded, etc.).

A sample ERISA and Individual contract.

A sample of the annual authorization to vote proxies form.

A copy of our most recent Schedule 13D filing (if applicable).

Table of Contents

Exhibit A
Proxy Guidelines
PROXY VOTING GUIDELINES
GENERAL POLICY STATEMENT

It is the policy of **GAMCO Investors, Inc.** to vote in the best economic interests of our clients. As we state in our Magna Carta of Shareholders Rights, established in May 1988, we are neither *for* nor *against* management. We are for shareholders.

At our first proxy committee meeting in 1989, it was decided that each proxy statement should be evaluated on its own merits within the framework first established by our Magna Carta of Shareholders Rights. The attached guidelines serve to enhance that broad framework.

We do not consider any issue routine. We take into consideration all of our research on the company, its directors, and their short and long-term goals for the company. In cases where issues that we generally do not approve of are combined with other issues, the negative aspects of the issues will be factored into the evaluation of the overall proposals but will not necessitate a vote in opposition to the overall proposals.

Board of Directors

The advisers do not consider the election of the Board of Directors a routine issue. Each slate of directors is evaluated on a case-by-case basis.

Factors taken into consideration include:

Historical responsiveness to shareholders

This may include such areas as:

Paying greenmail

Failure to adopt shareholder resolutions receiving a majority of shareholder votes

Qualifications

Nominating committee in place

Number of outside directors on the board

Attendance at meetings

Overall performance

Selection of Auditors

In general, we support the Board of Directors' recommendation for auditors.

Blank Check Preferred Stock

We oppose the issuance of blank check preferred stock.

Blank check preferred stock allows the company to issue stock and establish dividends, voting rights, etc. without further shareholder approval.

Classified Board

A classified board is one where the directors are divided into classes with overlapping terms. A different class is elected at each annual meeting.

Table of Contents

While a classified board promotes continuity of directors facilitating long range planning, we feel directors should be accountable to shareholders on an annual basis. We will look at this proposal on a case-by-case basis taking into consideration the board's historical responsiveness to the rights of shareholders.

Where a classified board is in place we will generally not support attempts to change to an annually elected board.

When an annually elected board is in place, we generally will not support attempts to classify the board.

Increase Authorized Common Stock

The request to increase the amount of outstanding shares is considered on a case-by-case basis.

Factors taken into consideration include:

Future use of additional shares

Stock split

Stock option or other executive compensation plan

Finance growth of company/strengthen balance sheet

Aid in restructuring

Improve credit rating

Implement a poison pill or other takeover defense

Amount of stock currently authorized but not yet issued or reserved for stock option plans

Amount of additional stock to be authorized and its dilutive effect

We will support this proposal if a detailed and verifiable plan for the use of the additional shares is contained in the proxy statement.

Confidential Ballot

We support the idea that a shareholder's identity and vote should be treated with confidentiality.

However, we look at this issue on a case-by-case basis.

In order to promote confidentiality in the voting process, we endorse the use of independent Inspectors of Election.

Cumulative Voting

In general, we support cumulative voting.

Cumulative voting is a process by which a shareholder may multiply the number of directors being elected by the number of shares held on record date and cast the total number for one candidate or allocate the voting among two or more candidates.

Where cumulative voting is in place, we will vote against any proposal to rescind this shareholder right.

Cumulative voting may result in a minority block of stock gaining representation on the board. When a proposal is made to institute cumulative voting, the proposal will be reviewed on a case-by-case basis. While we feel that each board member should represent all shareholders, cumulative voting provides minority shareholders an opportunity to have their views represented.

Director Liability and Indemnification

We support efforts to attract the best possible directors by limiting the liability and increasing the indemnification of directors, except in the case of insider dealing.

Table of Contents

Equal Access to the Proxy

The SEC's rules provide for shareholder resolutions. However, the resolutions are limited in scope and there is a 500 word limit on proponents' written arguments. Management has no such limitations. While we support equal access to the proxy, we would look at such variables as length of time required to respond, percentage of ownership, etc.

Fair Price Provisions

Charter provisions requiring a bidder to pay all shareholders a fair price are intended to prevent two-tier tender offers that may be abusive. Typically, these provisions do not apply to board-approved transactions.

We support fair price provisions because we feel all shareholders should be entitled to receive the same benefits.

Reviewed on a case-by-case basis.

Golden Parachutes

Golden parachutes are severance payments to top executives who are terminated or demoted after a takeover.

We support any proposal that would assure management of its own welfare so that they may continue to make decisions in the best interest of the company and shareholders even if the decision results in them losing their job. We do not, however, support excessive golden parachutes. Therefore, each proposal will be decided on a case-by-case basis.

Note: Congress has imposed a tax on any parachute that is more than three times the executive's average annual compensation.

Anti-Greenmail Proposals

We do not support greenmail. An offer extended to one shareholder should be extended to all shareholders equally across the board.

Limit Shareholders' Rights to Call Special Meetings

We support the right of shareholders to call a special meeting.

Consideration of Nonfinancial Effects of a Merger

This proposal releases the directors from only looking at the financial effects of a merger and allows them the opportunity to consider the merger's effects on employees, the community, and consumers.

As a fiduciary, we are obligated to vote in the best economic interests of our clients. In general, this proposal does not allow us to do that. Therefore, we generally cannot support this proposal.

Reviewed on a case-by-case basis.

Mergers, Buyouts, Spin-Offs, Restructurings

Each of the above is considered on a case-by-case basis. According to the Department of Labor, we are not required to vote for a proposal simply because the offering price is at a premium to the current market price. We may take into consideration the long term interests of the shareholders.

Military Issues

Shareholder proposals regarding military production must be evaluated on a purely economic set of criteria for our ERISA clients. As such, decisions will be made on a case-by-case basis.

In voting on this proposal for our non-ERISA clients, we will vote according to the client's direction when applicable. Where no direction has been given, we will vote in the best economic interests of our clients. It is not our duty to impose our social judgment on others.

Table of Contents

Northern Ireland

Shareholder proposals requesting the signing of the MacBride principles for the purpose of countering the discrimination of Catholics in hiring practices must be evaluated on a purely economic set of criteria for our **ERISA** clients. As such, decisions will be made on a case-by-case basis.

In voting on this proposal for our non-**ERISA** clients, we will vote according to client direction when applicable. Where no direction has been given, we will vote in the best economic interests of our clients. It is not our duty to impose our social judgment on others.

Opt Out of State Anti-Takeover Law

This shareholder proposal requests that a company opt out of the coverage of the state's takeover statutes. Example: Delaware law requires that a buyer must acquire at least 85% of the company's stock before the buyer can exercise control unless the board approves.

We consider this on a case-by-case basis. Our decision will be based on the following:

State of Incorporation

Management history of responsiveness to shareholders

Other mitigating factors

Poison Pill

In general, we do not endorse poison pills.

In certain cases where management has a history of being responsive to the needs of shareholders and the stock is very liquid, we will reconsider this position.

Reincorporation

Generally, we support reincorporation for well-defined business reasons. We oppose reincorporation if proposed solely for the purpose of reincorporating in a state with more stringent anti-takeover statutes that may negatively impact the value of the stock.

Stock Option Plans

Stock option plans are an excellent way to attract, hold and motivate directors and employees. However, each stock option plan must be evaluated on its own merits, taking into consideration the following:

Dilution of voting power or earnings per share by more than 10%

Kind of stock to be awarded, to whom, when and how much

Method of payment

Amount of stock already authorized but not yet issued under existing stock option plans

Supermajority Vote Requirements

Supermajority vote requirements in a company's charter or bylaws require a level of voting approval in excess of a simple majority of the outstanding shares. In general, we oppose supermajority-voting requirements. Supermajority requirements often exceed the average level of shareholder participation. We support proposals' approvals by a simple majority of the shares voting.

Limit Shareholders Right to Act By Written Consent

Written consent allows shareholders to initiate and carry on a shareholder action without having to wait until the next annual meeting or to call a special meeting. It permits action to be taken by the written consent of the same percentage of the shares that would be required to effect proposed action at a shareholder meeting.

Reviewed on a case-by-case basis.

Table of Contents

PART C
OTHER INFORMATION

Item 25. Financial Statements and Exhibits

(1) Financial Statements

(a) None

(b) Part A None

Part B

The following statements of the Registrant are incorporated by reference in Part B of the Registration Statement:

Schedule of Investments at December 31, 2010

Statement of Assets and Liabilities as of December 31, 2010

Statement of Operations for the Year Ended December 31, 2010

Statement of Changes in Net Assets for the Year Ended December 31, 2010

Notes to Financial Statements for the Year Ended December 31, 2010

Report of Independent Registered Public Accounting Firm for the Year Ended December 31, 2010

(2) Exhibits

(a) (1) Third Amended and Restated Agreement and Declaration of Trust of Registrant(4)

(2) Statement of Preferences with respect to the 5.625% Series A Cumulative Preferred Shares(2)

(3) Statement of Preferences with respect to the Series B Auction Rate Cumulative Preferred Shares(2)

(b) Second Amended and Restated By-Laws of Registrant(4)

(c) Not applicable

(d) (1) Form of Registrant's Common Share Certificate(3)

(2) Form of Registrant's 5.625% Series A Cumulative Preferred Share Certificate(2)

(3) Form of Registrant's Series B Auction Market Preferred Share Certificate(2)

(e) Automatic Dividend Reinvestment and Voluntary Cash Purchase Plan of Registrant(1)

(f) Not applicable

(g) Form of Investment Advisory Agreement between Registrant and Gabelli Funds, LLC(1)

(h) Form of Underwriting Agreement(5)

- (i) Not applicable
- (j) (1) Form of Custodian Contract between Registrant and The Bank of New York Mellon (1)
(2) Form of Custodian Fee Schedule between Registrant and The Bank of New York Mellon (1)
- (k) (1) Form of Transfer Agency and Service Agreement among Registrant, Computershare Trust Company, N.A. and Computershare Inc. (4)

C-1

Table of Contents

- (2) Fee and Service Schedule for Stock Transfer Services among Registrant, Computershare Trust Company, N.A. and Computershare Inc. (4)
- (3) Form of Auction Agency Agreement for the Series B Auction Rate Preferred Shares (2)
- (4) Form of Broker-Dealer Agreement for the Series B Auction Rate Preferred Shares (2)
- (5) Form of DTC Agreement for the Series B Auction Rate Preferred Shares (2)
- (l) (1) Opinion and Consent of [_____] (5)
- (m) Not applicable
- (n) (1) Consent of Independent Registered Public Accounting firm(5)
 - (2) Powers of Attorney(6)
- (o) Not applicable
- (p) Not applicable
- (q) Not applicable
- (r) (1) Code of Ethics of the Investment Adviser and of the Registrant (4)
 - (2) Joint Code of Ethics of the Investment Adviser and of the Registrant for Chief Executive and Senior Financial Officers of the Gabelli Funds (4)
- (1) Incorporated by reference from Pre-Effective Amendment No. 1 to the Registrant's Registration Statement on Form N-14, filed with the Securities and Exchange Commission on March 31, 1999.
- (2) Incorporated by reference from the Registrant's Registration Statement on Form N-2, filed with the Securities and Exchange Commission on July 24, 2003.
- (3) Incorporated by reference from the Registrant's Registration Statement on Form N-2, filed with the Securities and Exchange Commission on October 14, 2004.
- (4) Filed herewith.
- (5) To be filed by amendment.
- (6) Incorporated by reference from the Registrant's Registration Statement on Form N-2, File Nos. 333-149415 and 811-09243, as filed with the Securities and Exchange Commission on February 27, 2008.

Item 26. Marketing Arrangements

See Exhibit 2(h) to this Registration Statement.

Item 27. Other Expenses of Issuance and Distribution

The following table sets forth the estimated expenses to be incurred in connection with the offering described in this Registration Statement:

C-2

Table of Contents

SEC registration fees	\$ 2,100
NYSE listing fees	\$ 40,000
Printing expenses	\$ 100,000
Accounting fees	\$ 25,000
Legal fees	\$ 150,000
Rating agency fees	\$ 15,000
Miscellaneous	\$ 92,900
Total	\$ 425,000

Item 28. Persons Controlled by or Under Common Control with Registrant

None.

Item 29. Number of Holders of Securities as of March 31, 2011

Title of Class	Number of Record Holders
Common Shares of Beneficial Interest	6,097
5.625% Series A Cumulative Preferred Shares	4
Series B Auction Market Preferred Shares	1

Item 30. Indemnification

The response of this Item is incorporated by reference to the caption "Limitation of Officers and Trustees Liability" in the Part B of this Registration Statement.

Insofar as indemnification for liability arising under the 1933 Act may be permitted to trustees, officers and controlling persons of Registrant pursuant to the foregoing provisions, or otherwise, Registrant has been advised that, in the opinion of the Commission, such indemnification is against public policy as expressed in the 1933 Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by Registrant of expenses incurred or paid by a trustee, officer or controlling person of Registrant in the successful defense of any action, suit or proceeding) is asserted by such trustee, officer or controlling person in connection with the securities being registered, Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the 1933 Act and will be governed by the final adjudication of such issue.

Item 31. Business and Other Connections of Investment Adviser

The Investment Adviser, a limited liability company organized under the laws of the State of New York, acts as investment adviser to the Registrant. The Registrant is fulfilling the requirement of this Item 31 to provide a list of the officers and directors of the Investment Adviser, together with information as to any other business, profession, vocation or employment of a substantial nature engaged in by the Investment Adviser or those officers and directors during the past two years, by incorporating by reference the information contained in the Form ADV of the Investment Adviser filed with the SEC pursuant to the 1940 Act (Commission File No. 801-26202).

Item 32. Location of Accounts and Records

The accounts and records of the Registrant are maintained in part at the office of the Investment Adviser at One Corporate Center, Rye, New York 10580-1422, in part at the offices of the Custodian, The Bank of New York Mellon Corporation, 135 Santilli Highway, Massachusetts 02149, at the offices of the Fund's Administrator, BNY Mellon Investment Servicing (US) Inc., 400 Bellevue Parkway, Wilmington, Delaware, 19809, and in part at the offices of Computershare Trust Company, N.A., 250 Royall Street, Canton, Massachusetts 02021.

Item 33. Management Services

Not applicable.

Table of Contents

Item 34. Undertakings

1. Registrant undertakes to suspend the offering of shares until the prospectus is amended, if subsequent to the effective date of this registration statement, its net asset value declines more than ten percent from its net asset value as of the effective date of the registration statement or its net asset value increases to an amount greater than its net proceeds as stated in the prospectus.

2. Not applicable.

3. Not applicable.

4. Registrant undertakes:

(a) to file, during and period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(1) to include any prospectus required by Section 10(a)(3) of the Securities Act;

(2) to reflect in the prospectus any facts or events after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement; and

(3) to include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement.

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

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

(d) that, for the purpose of determining liability under the Securities Act to any purchaser, if the Registrant is subject to Rule 430C: Each prospectus filed pursuant to Rule 497(b), (c), (d) or (e) under the Securities Act as part of a registration statement relating to an offering, other than prospectuses filed in reliance on Rule 430A under the Securities Act shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

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

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

(1) any preliminary prospectus or prospectus of the undersigned Registrant relating to the offering required to be filed pursuant to Rule 497 under the Securities Act.

Table of Contents

- (2) the portion of any advertisement pursuant to Rule 482 under the Securities Act relating to the offering containing material information about the undersigned Registrant or its securities provided by or on behalf of the undersigned Registrant; and
 - (3) any other communication that is an offer in the offering made by the undersigned Registrant to the purchaser.
5. Registrant undertakes:
- (a) that, for the purpose of determining any liability under the Securities Act the information omitted from the form of prospectus filed as part of the Registration Statement in reliance upon Rule 430A and contained in the form of prospectus filed by the Registrant pursuant to Rule 497(h) will be deemed to be a part of the Registration Statement as of the time it was declared effective.
 - (b) that, for the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus will be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time will be deemed to be the initial bona fide offering thereof.
6. Registrant undertakes to send by first class mail or other means designed to ensure equally prompt delivery, within two business days of receipt of a written or oral request, any Statement of Additional Information constituting Part B of this Registration Statement.

Table of Contents

SIGNATURES

As required by the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement on Form N-2 to be signed on its behalf by the undersigned, in the City of Rye, State of New York, on the 19th day of May, 2011.

THE GABELLI UTILITY TRUST

By: /s/ Bruce N. Alpert
 Bruce N. Alpert
 President and Principal Executive
 Officer

As required by the Securities Act of 1933, as amended, this Form N-2 has been signed below by the following persons in the capacities set forth below on the 19th day of May, 2011.

NAME	TITLE
/s/ Mario J. Gabelli* Mario J. Gabelli	Chairman
/s/ John D. Gabelli* John D. Gabelli	Trustee
/s/ Thomas E. Bratter* Thomas E. Bratter	Trustee
/s/ Anthony J. Colavita* Anthony J. Colavita	Trustee
/s/ James P. Conn* James P. Conn	Trustee
/s/ Vincent D. Enright* Vincent D. Enright	Trustee
/s/ Frank J. Fahrenkopf, Jr.* Frank J. Fahrenkopf, Jr.	Trustee
/s/ Robert J. Morrissey* Robert J. Morrissey	Trustee
/s/ Anthony R. Pustorino* Anthony R. Pustorino	Trustee
/s/ Salvatore J. Zizza* Salvatore J. Zizza	Trustee
/s/ Agnes Mullady Agnes Mullady	Treasurer and Principal Financial Officer

/s/ Bruce N. Alpert
Bruce N. Alpert

Attorney-in-Fact

* Pursuant to a Power of Attorney.

C-6

Table of Contents

EXHIBIT INDEX

Exhibit Number	Description
Ex-.99 (a)(1)	Third Amended and Restated Agreement and Declaration of Trust of Registrant
Ex-.99 (b)(1)	Second Amended and Restated By-Laws of Registrant
Ex-.99 (k)(1)	Transfer Agency and Service Agreement
Ex-.99 (k)(2)	Fee and Service Schedule for Stock Transfer Services
Ex-.99 (r)(1)	Code of Ethics of the Investment Adviser and of the Registrant
Ex-.99 (r)(2)	Joint Code of Ethics of the Investment Adviser and of the Registrant for Chief Executive and Senior Financial Officers of the Gabelli Funds

C-7