

ZWEIG TOTAL RETURN FUND INC

Form N-2

September 21, 2010

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As filed with the Securities and Exchange Commission on September 21, 2010

Investment Company Act File No. 811-05620

Securities Act File No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM N-2

- REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933**
- Pre-effective Amendment No.**
- Post-Effective Amendment No.**

and/or

- REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940**
- Amendment No. 14**

THE ZWEIG TOTAL RETURN FUND, INC.

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(Exact name of Registrant as specified in charter)

900 Third Avenue

New York, New York 10022

(Address of Principal Executive Offices)

Registrant's Telephone Number, including Area Code:

212-451-1100

George R. Aylward

President

The Zweig Total Return Fund, Inc.

900 Third Avenue

New York, New York 10022

(Name and Address of Agent for Service)

With Copies to:

Daren R. Domina, Esq.

Katten Muchin Rosenman LLP

575 Madison Avenue

New York, New York 10022

Approximate date of proposed public offering:

As soon as practicable after the effective date of this Registration Statement.

If any securities being registered on this form will be offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933, other than securities offered in connection with a dividend reinvestment plan, check the following box. "

It is proposed that this filing will become effective (check appropriate box):

when declared effective pursuant to section 8(c)

CALCULATION OF REGISTRATION FEE

Title of Securities Being Registered	Amount Being Registered	Proposed Maximum Offering Price Per Share (1)	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock, par value				
\$0.001 per share	265,251 Shares	\$3.77	\$1,000,000	\$71.30

(1) Estimated solely for the purposes of calculating the registration fee in accordance with Rule 457(c) under the Securities Act of 1933. Based on the average of the high and low prices for the Fund's Common Stock reported on the New York Stock Exchange, Inc. on September 20, 2010.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 80(a), may determine.

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THE ZWEIG TOTAL RETURN FUND, INC.

FORM N-2

CROSS REFERENCE SHEET

Pursuant to Rule 495(a)

Item	Form N-2	Location in Prospectus
	<u>Part A</u>	
1.	Outside Front Cover	Outside Front Cover Page of Prospectus
2.	Cover Pages; Other Offering Information	Outside Front Cover of Prospectus
3.	Fee Table and Synopsis	Fund Expenses
4.	Financial Highlights	Financial Highlights
5.	Plan of Distribution	The Offer
6.	Selling Shareholders	Not Applicable
7.	Use of Proceeds	The Offer; Use of Proceeds
8.	General Description of the Registrant	The Fund; Market Price and Net Asset Value Information; Investment Objective and Policies; Risk Factors and Special Considerations
9.	Management	Management of the Fund; Custodian, Dividend Paying Agent, Transfer Agent and Registrar
10.	Capital Stock, Long-Term Debt, and Other Securities	Distributions; Automatic Reinvestment and Cash Purchase Plan; Taxation; Description of Common Stock
11.	Defaults and Arrears on Senior Securities	Not Applicable
12.	Legal Proceedings	Legal Matters
13.	Table of Contents of the Statement of Additional Information	Table of Contents of the Statement of Additional Information

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Item	Form N-2	Location in SAI
		<u>Part B</u>
14.	Cover Page	Cover Page
15.	Table of Contents	Table of Contents
16.	General Information and History	The Fund (in Part A)
17.	Investment Objectives and Policies	Investment Objective and Policies; Investment Restrictions
18.	Management	Management
19.	Control Persons and Principal Holders of Securities	Principal Shareholders
20.	Investment Advisory and Other Services	Management of the Fund (in Part A); Custodian, Dividend Paying Agent, Transfer Agent and Registrar (in Part A)
21.	Portfolio Managers	Management of the Fund (in Part A); Portfolio Managers
22.	Brokerage Allocation and Other Practices	Portfolio Transactions and Brokerage
23.	Tax Status	Taxation
24.	Financial Statements	Financial Statements
		<u>Part C</u>
25.	Financial Statements and Exhibits	Financial Statements and Exhibits
26.	Marketing Arrangements	Not Applicable
27.	Other Expenses of Issuance and Distribution	Other Expenses of Issuance and Distribution
28.	Persons Controlled by or Under Common Control	Persons Controlled by or Under Common Control with Registrant
29.	Number of Holders of Securities	Number of Holders of Securities as of _____, 2010

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30. Indemnification	Indemnification
31. Business and Other Connections of Investment Adviser	Business and Other Connections of Investment Adviser and Sub-Adviser
32. Location of Accounts and Records	Location of Accounts and Records
33. Management Services	Not Applicable

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Subject to Completion, Dated , 2010

SHARES OF COMMON STOCK

THE ZWEIG TOTAL RETURN FUND, INC.

ISSUABLE UPON EXERCISE OF NON-TRANSFERABLE

RIGHTS TO SUBSCRIBE FOR SUCH SHARES OF COMMON STOCK

The Zweig Total Return Fund, Inc. (the Fund) is issuing non-transferable rights (Rights) to its shareholders of record as of the close of business on , 2010 (the Record Date) entitling the holders of these Rights to subscribe (the Offer) for up to an aggregate of shares of common stock, par value \$0.001 per share (the Common Stock). Shareholders of record will receive one Right for each outstanding Fund share owned on the Record Date. The Rights entitle the holders to purchase one share of Common Stock for every five Rights held, and shareholders of record who fully exercise their Rights will be entitled to subscribe for additional shares of Common Stock pursuant to an over-subscription privilege described in this Prospectus. Pursuant to the over-subscription privilege, the Fund may increase the number of shares of Common Stock subject to subscription by up to 25% of the shares, or up to an additional shares of Common Stock, for an aggregate total of shares. Fractional shares will not be issued upon the exercise of Rights. The Rights are non-transferable and, therefore, may not be purchased or sold. The Rights will not be admitted for trading on the New York Stock Exchange (NYSE) or any other exchange. See The Offer. THE SUBSCRIPTION PRICE PER SHARE (THE SUBSCRIPTION PRICE) WILL BE EQUAL TO 95% OF THE LOWER OF THE NET ASSET VALUE PER SHARE OF THE FUND S COMMON STOCK (NAV) AT THE CLOSE OF BUSINESS ON , 2010 (THE PRICING DATE) OR THE AVERAGE OF THE LAST REPORTED SALES PRICE OF A SHARE OF THE FUND S COMMON STOCK ON THE NYSE ON THE PRICING DATE AND THE FOUR PRECEDING BUSINESS DAYS.

THE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON , 2010 UNLESS EXTENDED AS DESCRIBED HEREIN (THE EXPIRATION DATE).

The Fund announced the Offer on September 16, 2010. The Fund s Common Stock trades on the NYSE under the symbol ZTR. Shares issued upon the exercise of Rights and the over-subscription privilege will be listed for trading on the NYSE, subject to notice of issuance. The net asset value per share of the Fund s Common Stock at the close of business on , 2010 and , 2010, the Record Date, was \$ and \$, respectively, and the last reported sales price of a share of the Fund s Common Stock on the NYSE on those dates was \$ and \$, respectively.

The Fund is a diversified, closed-end management investment company. Its investment objective is to seek the highest total return, consisting of capital appreciation and current income, consistent with the preservation of capital. The Fund will invest up to 65% of its total assets in U.S. government securities, non-convertible debt securities of domestic issuers rated among the two highest rating categories of either Moody s Investors Service, Inc. (Moody s) or Standard & Poor s Corporation (S&P) (or, if unrated, of comparable quality as determined by the investment adviser, Zweig Advisers LLC (the Investment Adviser)), and certain foreign

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government securities (collectively, the Bond Investments), and up to 50% of its total assets in equity securities comprised of common, preferred and convertible preferred stock. The equity investments will be in primarily large-capitalization companies but may also be in investments in small- or medium-capitalization companies. The Fund may, however, under certain circumstances, invest up to 75% of its total assets in equity securities as determined by the Investment Adviser. The Fund also, as part of its Bond Investments, may invest up to 10% of its total assets in non-convertible debt securities rated below the two highest rating categories of Moody's or S&P (or, if unrated, of comparable quality as determined by the Investment Adviser).

All of the Investment Adviser's outstanding equity interests are directly owned by Virtus Investment Partners, Inc. (Virtus), a NASDAQ listed company. The Investment Adviser (and its predecessor) has provided investment advisory services to the Fund since its inception. The Investment Adviser engages Zweig Consulting LLC (the Sub-Adviser) to perform asset allocation research and analysis and provide advice thereon to the Investment Adviser. Dr. Martin E. Zweig, President of the Sub-Adviser, has been engaged in the business of providing investment advisory services for over 40 years. While the Investment Adviser seeks to reduce the risks associated with investing in debt and equity securities, such risks cannot be eliminated. See Investment Objective and Policies. No assurance can be given that the Fund's investment objective will be realized. The Fund's administrator is VP Distributors, Inc., formerly Phoenix Equity Planning Corporation (the Administrator). The Fund's Investment Adviser, Sub-Adviser and Administrator will benefit from the Offer. See Management of the Fund.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

INVESTING IN THE FUND'S COMMON SHARES INVOLVES RISKS. SEE RISK FACTORS AND SPECIAL CONSIDERATIONS FOR FACTORS THAT SHOULD BE CONSIDERED BEFORE INVESTING IN THE COMMON SHARES OF THE FUND.

	Estimated Price to Public (1)	Sales Load	Estimated Proceeds to Registrant or Other Persons (2) (3)
Per Share		N/A	
Total			
Maximum (4)		N/A	

(Footnotes on the following page)

The date of this Prospectus is , 2010.

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Upon the completion of the Offer, shareholders of record who do not fully exercise their Rights will own a smaller proportional interest in the Fund than they owned prior to the Offer. In addition, because the Subscription Price will be less than the net asset value per share as of the Pricing Date, the Offer will result in an immediate dilution of the net asset value per share for all shareholders. Although it is not possible to state precisely the amount of such decrease in net asset value per share because it is not known how many shares will be subscribed for, what the net asset value or market price of the Common Stock will be on the Pricing Date or what the Subscription Price will be, such dilution could be minimal or substantial. Any such dilution will disproportionately affect non-exercising shareholders. See The Offer and Risk Factors and Special Considerations. Except as described in this Prospectus, shareholders of record will have no right to rescind their subscriptions after receipt of their payment for shares by the Subscription Agent.

This Prospectus sets forth concisely the information about the Fund that a prospective investor ought to know before investing. Investors are advised to read this Prospectus and retain it for future reference. A Statement of Additional Information, dated _____, 2010 (the SAI), containing additional information about the Fund, has been filed with the Securities and Exchange Commission (the Commission) and is incorporated by reference in its entirety into this Prospectus. The Table of Contents of the SAI appears on page _____ of this Prospectus.

Shareholders may obtain a copy, free of charge, of the SAI and the Fund's annual and semi-annual report to shareholders, or request other information about the Fund, from, and should direct all questions and inquires relating to the Offer to, the Fund's Information Agent, Georgeson, Inc. Banks and Brokers should call (212) 440-9800 collect and all other shareholders should call (800) 272-2700. The Fund makes available, free of charge, the SAI and the Fund's annual and semi-annual report to shareholders at <http://www.virtus.com/products/closed/details.aspx?type=&fundid=ZTR>. The address of the Fund is 900 Third Avenue, New York, New York 10022, and its telephone number is (212) 451-1100. The Commission maintains a website (<http://www.sec.gov>) that contains the SAI and other information regarding the Fund.

(Footnotes from the previous page)

- (1) Estimated, equal to 95% of the lower of the NAV at the close of business on _____, 2010 or the average of the last reported sales price of a share of the Fund's Common Stock on the NYSE on _____, 2010 and the four preceding business days.
- (2) Before deduction of offering expenses incurred by the Fund, estimated at approximately \$ _____.
- (3) The funds received by check prior to the final due date of this Offer will be deposited into a segregated interest-bearing account (which interest will be paid to the Fund) pending proration and distribution of the shares.
- (4) Assumes all _____ shares are purchased at the estimated Subscription Price. Pursuant to the over-subscription privilege, the Fund may, at the discretion of the Board of Directors,

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increase the number of shares subject to subscription by up to 25% of the shares offered hereby. If the Fund increases the number of shares subject to subscription by 25%, the Total Maximum Estimated Subscription Price and Estimated Proceeds to the Fund will be \$ and \$, respectively. The offering expenses in connection with this offering will be charged against paid-in capital of the Fund. Certain numbers in this Prospectus have been rounded for ease of presentation and, as a result, may not total precisely. All dollar figures are rounded to the nearest dollar and all percentages are rounded to the nearest hundredth of one percent.

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

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PROSPECTUS SUMMARY

The following summary is qualified in its entirety by reference to the more detailed information included elsewhere in this Prospectus. Unless otherwise indicated, the information in this Prospectus assumes that the allowable increase of 25% of the shares offered hereby pursuant to the over-subscription privilege will not occur.

The Fund

The Zweig Total Return Fund, Inc. (the Fund) is a diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended (the 1940 Act). The Fund commenced operations in September 1988. The Fund's investment objective is to seek the highest total return, consisting of capital appreciation and current income, consistent with the preservation of capital. The Fund will invest up to 65% of its total assets in U.S. government securities, non-convertible debt securities of domestic issuers rated among the two highest rating categories of either Moody's Investors Service, Inc. (Moody's) or Standard & Poor's Corporation (S&P) (or, if unrated, of comparable quality as determined by the investment adviser, Zweig Advisers LLC (the Investment Adviser)), and certain foreign government securities (collectively, the Bond Investments), and up to 50% of its total assets in equity securities comprised of common, preferred and convertible preferred stock. The equity investments will be in primarily large-capitalization companies but may also be in investments in small- or medium-capitalization companies. The Fund may, however, under certain circumstances, invest up to 75% of its total assets in equity securities as determined by the Investment Adviser. The Fund also, as part of its Bond Investments, may invest up to 10% of its total assets in non-convertible debt securities rated below the two highest rating categories of Moody's or S&P (or, if unrated, of comparable quality as determined by the Investment Adviser).

The Investment Adviser determines the level of fixed income investment exposure, and the average maturity and duration, in the Fund primarily on the basis of the Fund's portfolio managers' judgment and market opportunities as well as a bond model provided by Zweig Consulting LLC (the Sub-Adviser). The bond model suggests an appropriate level of duration (a measure of risk in a bond portfolio) for implementation by the Fund's portfolio managers. The Fund's portfolio managers then incorporate fundamental analysis to determine which specific bonds to own and what maturities to hold to arrive at the overall duration of the portfolio. The overall bond portfolio generally has a blend of short, medium and long-maturity bonds, which balances the overall duration risk with other yield curve risks depending on the overall duration that the portfolio managers wish to achieve. The portfolio managers will vary the maturities to arrive at the appropriate desired average. The Fund primarily invests its Bond Investments in U.S. Treasury securities and agency securities of the highest quality. The extent of the Fund's investment in equity securities will be determined primarily on the basis of equity asset allocation techniques developed by Dr. Martin E. Zweig, President of the Sub-Adviser, and his staff. Dr. Martin E. Zweig has been engaged in the business of providing investment advisory services for over 40 years.

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All of the Investment Adviser's outstanding equity interests are directly owned by Virtus Investment Partners, Inc. ("Virtus"), a NASDAQ listed company. The Investment Adviser (and its predecessor) has provided investment advisory services to the Fund since its inception. The Investment Adviser engages the Sub-Adviser to perform asset allocation research and analysis and provide advice thereon to the Investment Adviser. While the Investment Adviser seeks to reduce the risks associated with investing in debt and equity securities, the risk of investment in debt and equity securities cannot be eliminated. See "Investment Objective and Policies." No assurance can be given that the Fund's investment objective will be realized.

The Fund's outstanding common stock, par value \$0.001 per share (the "Common Stock") is listed and traded on the NYSE. The average weekly trading volume of the Common Stock on the NYSE during the year ended December 31, 2009 was 1,419,000 shares and was _____ shares as of _____, 2010. As of December 31, 2009, the net assets of the Fund were \$473,216,685.

VP Distributors, Inc. (the "Administrator") serves as the Fund's administrator and receives from the Fund an administrative fee computed at the annual rate of 0.065% of the Fund's average daily net assets. The Fund pays the Investment Adviser a monthly investment advisory fee computed at the annual rate of 0.70% of the Fund's average daily net assets. See "Management of the Fund."

Terms of the Offer

The Fund is issuing to its shareholders of record ("Record Date Shareholders") as of the close of business on _____, 2010 (the "Record Date") non-transferable rights (the "Rights") to subscribe for up to an aggregate of _____ shares of Common Stock (the "Shares") of the Fund. The Fund may increase the number of shares of Common Stock subject to subscription by up to 25% of the Shares, or up to an additional _____ Shares of Common Stock, for an aggregate total of _____ Shares. Each Record Date Shareholder is being issued one Right for each whole share of Common Stock owned on the Record Date. The Rights entitle the holders thereof to subscribe for one Share for every five Rights held (the "Offer"). Fractional Shares will not be issued upon the exercise of Rights. If a Record Date Shareholder's total ownership is fewer than five shares, such shareholder may subscribe for one Share.

Rights may be exercised at any time during the Subscription Period, which commences on _____, 2010 and ends at 5:00 p.m., New York City time, on _____, 2010, unless extended by the Fund until 5:00 p.m., New York City time, to a date not later than _____, 2010 (such date, as it may be extended, is referred to in this Prospectus as the "Expiration Date"). A Record Date Shareholder's right to acquire during the Subscription Period at the Subscription Price (as described below) one additional Share for every five Rights held is hereinafter referred to as the "Primary Subscription." The Rights are evidenced by subscription certificates (the "Subscription Certificates"), which will be mailed to Record Date Shareholders, except as discussed in "The Offer - Foreign Restrictions."

The subscription price per Share (the "Subscription Price") will be equal to 95% of the lower of the net asset value per share of the Fund's Common Stock ("NAV") at the close of business on _____, 2010 (the "Pricing Date") or the average of the last reported sales

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price of a share of the Fund's Common Stock on the NYSE on the Pricing Date and the four preceding business days, unless the Offer is extended. Since the Expiration Date and the Pricing Date are each _____, 2010, Record Date Shareholders who choose to exercise their Rights will not know at the time of exercise the Subscription Price for Shares acquired pursuant to such exercise. Record Date Shareholders will have no right to rescind a purchase after receipt of their payment for Shares by the Fund's subscription agent, Computershare Trust Company, N.A. (Computershare or the Subscription Agent). There is no minimum number of Rights that must be exercised in order for the Offer to close.

Pursuant to the over-subscription privilege (the Over-Subscription Privilege), any Record Date Shareholder who fully exercises all Rights issued to such shareholder in the Primary Subscription (other than those Rights that cannot be exercised because they represent the right to acquire less than one Share) will be entitled to subscribe for additional Shares at the Subscription Price. Shares available, if any, pursuant to the Over-Subscription Privilege are subject to allotment and may be subject to increase, as is more fully discussed under The Offer Over-Subscription Privilege. For purposes of determining the maximum number of Shares a Record Date Shareholder may acquire pursuant to the Offer, Record Date Shareholders whose shares of Common Stock are held of record by Cede & Co. Inc. (Cede) or by any other depository or nominee will be deemed to be the holders of the Rights that are issued to Cede or such other depository or nominee on their behalf.

The Rights are non-transferable. Therefore, only the underlying Shares will be listed for trading on the NYSE or any other exchange.

Purpose of the Offer

The Board of Directors of the Fund has determined that it would be in the best interests of the Fund and its shareholders to increase the assets of the Fund available for investment, thereby enabling the Fund to more fully take advantage of investment opportunities consistent with the Fund's investment objective. The Fund's Board of Directors has voted unanimously to approve the terms of the Offer as set forth in this Prospectus.

In reaching its decision, the Board of Directors considered, among other things, advice by the Investment Adviser and the Sub-Adviser that new funds would allow the Fund additional flexibility to capitalize on available and potential investment opportunities without the necessity of having to sell existing portfolio securities that the Investment Adviser believes should be held. Proceeds from the Offer will allow the Investment Adviser to better take advantage of such existing and future investment opportunities.

The Board of Directors also considered that the Offer would provide shareholders with an opportunity to purchase additional shares of the Fund below its net asset value and market price. Although the Board of Directors believes that a well-subscribed rights offering may result in certain economies of scale which could reduce the Fund's expense ratio in future years, there is no assurance that by increasing the size of the Fund, the Fund's aggregate expenses, and correspondingly, its expense ratio, will be lowered. Finally, the Board of Directors considered that, because the Subscription Price per Share will be less than the net asset value per share on the Pricing Date, the Offer will result in dilution of the Fund's net asset value per share. The

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Board of Directors believes that the factors in favor of the Offer outweigh this dilution. See Risk Factors and Special Considerations Dilution Net Asset Value and Non-Participation in the Offer.

The Investment Adviser, Sub-Adviser and Administrator will benefit from the Offer because their fees are based on the average net assets of the Fund. It is not possible to state precisely the amount of additional compensation the Investment Adviser, Sub-Adviser or Administrator will receive as a result of the Offer because it is not known how many Shares will be subscribed for and because the proceeds of the Offer will be invested in additional portfolio securities, which will fluctuate in value. See Management of the Fund.

The information agent (the Information Agent) for the Offer is:

Georgeson, Inc.

Banks and Brokers Call Collect:

(212) 440-9800

All Others Call Toll-Free:

(800) 272-2700

Shareholders may also contact their brokers or nominees for information with respect to the Offer.

Important Dates to Remember

Event	Date
Record Date	, 2010
Subscription Period	, 2010 to , 2010*
Expiration Date and Pricing Date	, 2010*
Subscription Certificates and Payment for Shares Due+	, 2010*
Notice of Guaranteed Delivery Due+	, 2010*
Subscription Certificates and Payment for	
Guarantees of Delivery Due	, 2010*
Confirmation to Participants	, 2010*
Final Payment for Shares	, 2010*

* Unless the Offer is extended to a date not later than , 2010.

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- + Record Date Shareholders exercising Rights must deliver to the Subscription Agent by the Expiration Date either (i) the Subscription Certificate together with payment or (ii) a Notice of Guaranteed Delivery.

Risk Factors and Special Considerations

The following summarizes certain matters that should be considered, among others, in connection with the Offer. This Prospectus contains certain forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements as a result of certain uncertainties set forth below and elsewhere in this Prospectus.

Dilution Net Asset Value and Non-Participation in the Offer

Record Date Shareholders who do not fully exercise their Rights will, upon the completion of the Offer, own a smaller proportional interest in the Fund than they owned prior to the Offer. In addition, an immediate dilution of the net asset value per share will be experienced by all shareholders as a result of the Offer because the Subscription Price per Share will be less than the then current net asset value per share, and the number of shares outstanding after the Offer will increase in greater percentage than the increase in the size of the Fund's assets. Although it is not possible to state precisely the amount of such decrease in net asset value per share because it is not known at this time what the Subscription Price will be, what the net asset value per share will be on the Expiration Date, or what proportion of the Shares will be subscribed for, such dilution could be minimal or substantial. For example, assuming (i) all Rights are exercised, (ii) the Fund's net asset value on the Expiration Date is \$ _____ per share (the net asset value per share on _____, 2010), and (iii) the Subscription Price is \$ _____ per share (equal to 95% of the lower of the NAV per share of the Fund's Common Stock at the close of business on _____, 2010 or the average of the last reported sale price per share of the Fund's Common Stock on the NYSE on _____, 2010 and the four preceding business days), then the Fund's net asset value per share would be reduced by approximately \$ _____ per share or _____ %.

Certain Investment Strategies

The Investment Adviser determines the level of fixed income investment exposure, and the average maturity and duration, in the Fund primarily on the basis of the Fund's portfolio managers' judgment and market opportunities as well as a bond model provided by the Sub-Adviser. The bond model suggests an appropriate level of duration (a measure of risk in a bond portfolio) for implementation by the Fund's portfolio managers. The Fund's portfolio managers then incorporate fundamental analysis to determine which specific bonds to own and what maturities to hold to arrive at the overall duration of

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the portfolio. The extent of the Fund's investment in equity securities will be determined primarily on the basis of equity asset allocation techniques developed by Dr. Martin E. Zweig, President of the Sub-Adviser, and his staff. There is no assurance that these asset allocation techniques will provide protection from the risks of equity investment, enable the Fund to be invested consistent with the major trends of the market or enable the Fund to achieve its investment objective. While the Investment Adviser seeks to reduce the risks associated with investing in debt and equity securities, the risk of investment in debt and equity securities cannot be eliminated. See Investment Objective and Policies Investment Objective. In addition, although the Investment Adviser believes that the special investment methods discussed in this Prospectus under Investment Objectives and Policies Special Investment Methods (including purchasing and selling, when such use is deemed appropriate, stock index and other futures contracts and purchasing options on such futures; purchasing and writing listed put and call security options and options on stock indexes; short sales of securities; borrowing from banks to purchase securities; investing in securities of exchange-traded funds, foreign issuers and closed-end investment companies; foreign currency transactions; and lending portfolio securities to brokers, dealers, banks or other recognized institutional borrowers of securities; entering into repurchase or reverse repurchase agreements; and purchasing when-issued and delayed-delivery securities) will further the Fund's investment objective and reduce losses that might otherwise occur during a time of general decline in stock prices, no assurance can be given that these investment methods will achieve this result. These methods may subject an investor in the Fund to greater than average risks and costs.

Credit Risk

Investments in debt securities involve credit risk. This is the risk that the borrower will not make timely payments of principal and interest. The Fund, as part of its Bond Investments, may invest up to 10% of its total assets in non-convertible debt securities rated below the two highest rating categories of Moody's or S&P (or, if unrated, of comparable quality as determined by the Investment Adviser). Generally, securities rated below investment grade (high yield-high risk fixed income securities also sometimes referred to as junk bonds) have a greater chance that the borrower will be unable to make scheduled interest or principal payments when due. Furthermore, to the extent that the Fund may invest in such high yield-high risk fixed income securities, this will entail greater price volatility and credit and interest rate risk than

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investment-grade securities. Analysis of the creditworthiness of high yield-high risk borrowers is more complex than for higher-rated securities, making it more difficult for the Investment Adviser to accurately predict risk. If the Fund pursues missed interest or principal payments, there is a risk that the Fund's expenses could increase. In addition, lower-rated securities may not trade as often and may be less liquid than higher-rated securities. There can be no assurance that the credit rating of a Fund investment will remain unchanged over the period of the Fund's ownership of that investment.

Interest Rate Risk

The Fund invests in fixed income debt securities, which gives rise to interest rate risk. Such securities may decline in value because of changes in market interest rates. When market interest rates rise, the market value of such securities generally will fall. To the extent that the Fund invests in fixed income debt securities, the net asset value and market price of the Fund's shares tend to decline if market interest rates rise. Further, while longer term fixed rate securities may pay higher interest rates than shorter term securities, longer term fixed rate securities also tend to be more sensitive to interest rate changes and, accordingly, tend to experience larger changes in value as a result of interest rate changes.

Equity Risk

Equity investing includes, among other risks, the risk that the securities held by the Fund will fall in market value due to adverse market and economic conditions, perceptions regarding the industries in which the issuers of securities held by the Fund participate and the particular circumstances and performance of particular companies whose securities the Fund holds. Depending on such fluctuations in the market value of securities, the net asset value of the Fund may at any point in time be less than at the time the shareholder invested in the Fund, even after taking into account any reinvestment of distributions.

Small- and Medium-Capitalization Stock Risk

While the Fund generally will invest primarily in large-capitalization companies, the Fund may invest in companies with small- or medium-capitalizations. Small and medium company stocks can be more volatile than, and perform differently from, larger company stocks. There may be less trading in small or medium company stocks, which means that buy and sell transactions in those stocks could have a larger impact on the stock prices than is the case with larger company stocks. Small and medium companies may have fewer business lines; therefore, changes in any line of business may have a greater impact on small and medium company stock

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prices than is the case for a larger company. As a result, the purchase or sale of more than a limited number of shares of a small or medium company may affect its market price. The Fund may need a considerable amount of time to purchase or sell its positions in these securities. In addition, small or medium company stocks may not be as well known to the investing public.

Unrealized Appreciation

As of December 31, 2009, there was \$30,465,559 or approximately \$0.27 per share of net unrealized appreciation in the Fund's net assets of \$473,216,685; if realized and distributed, or deemed distributed, such gains would, in general, be taxable to shareholders, including holders at that time of Shares acquired upon the exercise of Rights. See Taxation.

Discount From Net Asset Value

The Fund's shares of Common Stock have traded in the market above, at and below net asset value since the commencement of the Fund's operations in September 1988. The Fund cannot predict whether the Fund's Common Stock will in the future trade at a premium to or discount from net asset value. The risk of the Common Stock trading at a discount is a risk separate from a decline in the Fund's net asset value. See Market Price and Net Asset Value Information in this Prospectus and Net Asset Value in the Statement of Additional Information (the SAI).

Distributions

The Fund's policy is to make monthly distributions equal to 0.83% of its net asset value (10% distribution yield on an annualized basis), and a final distribution at year-end consisting of any remaining undistributed net investment income and any realized net capital gains in excess of the Fund's capital loss carryforward. If, for any calendar year, the total distributions exceed net investment income and realized net capital gains, the excess, distributed from the Fund's assets, will generally be treated as a tax-free return of capital (up to the amount of the shareholder's tax basis in his or her shares). The amount treated as a tax-free return of capital will reduce a shareholder's adjusted basis in his or her shares, thereby increasing his or her potential gain or reducing his or her potential loss on the sale of his or her shares.

A return of capital represents a return of a shareholder's original investment in the Fund's shares. A return of capital should not be confused with a dividend yield reflecting solely a return on investment. Historically, the Fund's distribution yield has included taxable distributions of net income and

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realized gains, and distributions treated as non-taxable return of capital. See Risk Factors and Special Considerations Distributions. The Fund anticipates future distributions to be characterized in a similar manner. Pursuant to the requirements of the 1940 Act and other applicable laws, a notice will accompany each monthly distribution with respect to the estimated source of the distribution made. See Distributions; Automatic Reinvestment and Cash Purchase Plan.

Capital loss carryovers will reduce or, possibly, eliminate the Fund's taxable capital gains in the year(s) to which such losses are carried, but will not reduce the Fund's current earnings and profits in such year(s). Consequently, a greater portion of the Fund's distributions in the year(s) to which the Fund carries and applies its capital loss carryovers may be taxable to shareholders as ordinary income dividends than would be the case if the Fund did not have capital loss carryovers. The Fund's shareholders thus potentially could lose the benefit of the Fund's capital loss carryover to any year in which the Fund makes excess distributions because instead of being treated as a non-taxable return of capital, the portion of the excess distributions equal to the Fund's capital gains that are offset by the capital loss carryover will likely be taxable to the Fund's shareholders, and, if taxable, will likely be treated as ordinary income rather than as capital gain. See Risk Factors and Special Considerations Distributions. Moreover, excess distributions that are paid out of capital gains or other non-dividend income of the Fund will not qualify for the 15% preferential tax rate.

The Fund also might make distributions to shareholders that exceed the Fund's current earnings and profits. In that event, because the Fund does not have positive accumulated earnings and profits, the excess distributions will be a non-taxable return of capital to a shareholder to the extent the distributions do not exceed the shareholder's tax basis in his or her Fund shares. Non-taxable distributions will reduce the shareholder's tax basis in his or her Fund shares, thereby increasing the shareholder's potential tax liability on a subsequent sale of his or her shares.

In the event the Fund distributes amounts in excess of its net investment income and net realized capital gains, such distributions will decrease the Fund's total assets and, therefore, have the likely effect of increasing the Fund's expense ratio. In addition, in order to make such distributions, the Fund may have to sell a portion of its investment portfolio

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at a time when independent investment judgment might not dictate such action. Shares purchased pursuant to the Offer will be issued after the record date for the monthly distribution declared in _____, and, accordingly, the Fund will not pay a monthly distribution with respect to such Shares until the distribution to be declared and paid in the next month.

Anti-takeover Provisions

The Fund has provisions in its Articles of Incorporation and By-Laws that may have the effect of limiting the ability of other entities or persons to acquire control of the Fund, to cause it to engage in certain transactions or to modify its structure. The Board of Directors is divided into three classes. At the annual meeting of shareholders each year, the term of one class will expire and directors will be elected to serve in that class for terms of three years. This provision could delay for up to two years the replacement of a majority of the Board of Directors.

FUND EXPENSES

Shareholder Transaction Expenses

Sales Load	N/A
Automatic Reinvestment and Cash Purchase Plan Fees	N/A
Annual Expenses (as a percentage of the Fund's net assets) (1)	
Management and Administration Fees	0.77%
Other Expenses	%
Total Annual Expenses (2) (3)	%

(1) Includes fees payable under the Investment Advisory Agreement and Administration Agreement (as defined in this Prospectus). These fees are calculated on the basis of the Fund's average net assets. The Investment Adviser is responsible for the payment of sub-advisory fees to the Sub-Adviser. Other Expenses have been estimated for the current fiscal year. See Management of the Fund.

(2) The Total Annual Expenses in the table above includes fees and expenses incurred indirectly by the Fund as a result of its investment in other investment companies. The Total Annual Expenses in the table above is different from the ratio of expenses to average net assets given in the Financial Highlights of this Prospectus, which reflects the operating expenses of the Fund and does not include acquired fund fees and expenses.

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(3) The Other Expenses in the table above includes fees and expenses of _____ % or less that were incurred indirectly by the Fund as a result of its investment in other investment companies. The expense ratio assumes that the Offer (including the Over-Subscription Privilege) is fully subscribed and assumes estimated net proceeds from the Offer of approximately \$ _____ million (assuming an estimated Subscription Price of \$ _____ per Share). Other expenses for the fiscal year ended December 31, 2009 were 0.37% as a percentage of average net assets.

THE FOREGOING FEE TABLE IS INTENDED TO ASSIST FUND INVESTORS IN UNDERSTANDING THE VARIOUS COSTS AND EXPENSES THAT AN INVESTOR IN THE FUND WILL BEAR DIRECTLY OR INDIRECTLY.

EXAMPLE

An investor would directly or indirectly pay the following expenses on a \$1,000 investment in the Fund, assuming a 5% annual return throughout the periods:

1 Year	3 Years	5 Years	10 Years
\$	\$	\$	\$

This hypothetical example assumes that all dividends and other distributions are reinvested at net asset value and that the _____ % expense ratio listed under Total Annual Expenses remains the same in the years shown. The above tables and the assumption in this example of a 5% annual return are required by regulations of the Securities and Exchange Commission (the Commission) applicable to all investment companies; the assumed 5% annual return is not a prediction of, and does not represent, the projected or actual performance of the Fund's Shares. For a more complete description of certain of the Fund's costs and expenses, see Management of the Fund Investment Adviser and Sub-Adviser; Investment Advisory Agreement; and Administrator in this Prospectus and Expenses and Portfolio Transactions and Brokerage in the SAI.

This example should not be considered a representation of future expenses. The Fund's actual expenses may be greater or less than those shown.

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FINANCIAL HIGHLIGHTS

The table below sets forth certain specified information for a share of the Fund's Common Stock outstanding throughout each period presented. This information is derived from the financial and accounting records of the Fund. The financial highlights for the fiscal year ended December 31, 2009 and the prior nine years have been audited by PricewaterhouseCoopers LLP, independent accountants, whose reports thereon were unqualified. The financial statements and notes thereto, together with the report of independent accountants have been incorporated by reference in the SAI and are available without charge by calling Mutual Fund Services at (800) 272-2700 or upon written request to the Fund's Administrator, VP Distributors, Inc., 100 Pearl Street, Hartford, CT 06103.

	Years Ended December 31,								
	2009	2008	2007	2006	2005	2004	2003	2002	2001 (7) 2000
Per Share Data:									
Net asset value, beginning of period	\$	\$	\$	\$	\$	\$	\$	\$	\$