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ENERGY INCOME & GROWTH FUND

Form N-2/A

June 24, 2004

As filed with the Securities and Exchange Commission on June 24, 2004

1933 Act File No. 333-114131
1940 Act File No. 811-21549

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-2

(Check appropriate box or boxes)

- REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933
 Pre-Effective Amendment No. 3
 Post-Effective Amendment No. _

and

- REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940
 Amendment No. 3

Energy Income and Growth Fund
Exact Name of Registrant as Specified in Declaration of Trust

1001 Warrenville Road, Suite 300, Lisle, Illinois 60532
Address of Principal Executive Offices (Number, Street, City, State, Zip Code)

(630) 241-4141
Registrant's Telephone Number, including Area Code

W. Scott Jardine
First Trust Portfolios L.P.
1001 Warrenville Road, Suite 300
Lisle, Illinois 60532

Name and Address (Number, Street, City, State, Zip Code) of Agent for Service

Copies of Communications to:

Eric F. Fess
Chapman and Cutler LLP
111 West Monroe Street
Chicago, Illinois 60603

Approximate Date of Proposed Public Offering: As soon as practicable after the effective date of this Registration Statement

If any of the securities being registered on this form are 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)

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[] when declared effective pursuant to section 8(c)

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933
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Title of Securities Being Registered	Amount Being Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Shares, \$0.01 par value	6,900,000	\$20.00	\$138,000,000 (1)	\$17,484.60 (2)

- (1) Estimated solely for the purpose of calculating the registration fee.
(2) \$2.53 of which has been previously paid.

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 this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such dates as the Commission, acting pursuant to said Section 8(a), may determine.

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Subject to completion, dated June 24, 2004

PROSPECTUS

COMMON SHARES

ENERGY INCOME AND GROWTH FUND

COMMON SHARES
\$20.00 per share

The Fund. Energy Income and Growth Fund (the "Fund") is a newly organized, non-diversified, closed-end management investment company.

Investment Objective. The Fund's investment objective is to seek a high level of after-tax total return with an emphasis on current distributions paid to shareholders. The Fund seeks to provide its shareholders with an efficient vehicle to invest in a portfolio of cash-generating securities of energy companies. The Fund will focus on investing in publicly traded master limited partnerships ("MLPs") and related public entities in the energy sector which the Fund's sub-adviser believes offer opportunities for income and growth. Due to the tax treatment of cash distributions made by MLPs to their investors (such as

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the Fund), the Fund believes that a significant portion of its income will be tax deferred, thereby maximizing cash available for distribution by the Fund to its shareholders. There can be no assurance that the Fund's investment objective will be achieved.

Investment Strategy. Under normal market conditions after the invest-up period, the Fund will invest at least 85% of its managed assets (including assets obtained through leverage) in securities of energy companies, energy sector MLPs and MLP-related entities and will invest at least 65% of its managed assets in equity securities of such MLPs and MLP-related entities. The Fund may also invest up to 35% of its managed assets in unregistered or otherwise restricted securities (including up to 10% in securities issued by private companies) and up to 25% of its managed assets in debt securities of energy companies, MLPs and MLP-related entities, including securities rated below investment grade (commonly referred to as "junk bonds"). To generate additional income, the Fund intends, on a consistent and ongoing basis, to write (or sell) covered call options on the common stock of energy companies held in the Fund's portfolio. During the period of time in which the net proceeds of the offering of Common Shares are being invested in MLPs and MLP-related entities, the Fund anticipates it will invest its managed assets in common stock of energy companies and will simultaneously write (or sell) covered call options on such securities. The Fund anticipates that it will be able to invest substantially all of the net proceeds in securities that meet the Fund's investment objective and policies within three months after the completion of the offering. See "Risks" for a discussion of the risks involved in investing in both MLPs and junk bonds.

No Prior Trading History. BECAUSE THE FUND IS NEWLY ORGANIZED, ITS COMMON SHARES HAVE NO HISTORY OF PUBLIC TRADING. SHARES OF CLOSED-END INVESTMENT COMPANIES FREQUENTLY TRADE AT A DISCOUNT FROM THEIR NET ASSET VALUE. THIS RISK MAY BE GREATER FOR INVESTORS WHO EXPECT TO SELL THEIR SHARES IN A RELATIVELY SHORT PERIOD AFTER COMPLETION OF THE PUBLIC OFFERING.

(continued on following page)

INVESTING IN COMMON SHARES INVOLVES CERTAIN RISKS. SEE "RISKS" BEGINNING ON PAGE 25.

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

	Per Share	Total
	-----	-----
Public Offering Price	\$20.00	\$
Sales Load (1)	\$ 0.90	\$
Estimated Offering Costs (2)	\$ 0.04	\$
Proceeds to the Fund	\$19.06	\$

(notes on following page)

A.G. EDWARDS

ADVEST, INC.

DOMINICK & DOMINICK LLC

FE

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FIXED INCOME SECURITIES L.P.

JANNEY MONTGOMERY SCOTT LLC

KEYB

LEGG MASON WOOD WALKER
INCORPORATED

MORGAN KEEGAN & COMPANY, INC.

PARKER/

PETRIE PARKMAN & CO.

SUNTRUST ROBINSON HUMPHREY

WELLS FAR

WUNDERLICH SECURITIES, INC.

Prospectus dated , 2004

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE 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 IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

Front Cover

Due to the nature of MLP distributions, under current law the Fund will not be eligible to elect to be treated as a "regulated investment company" under the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), as is common for most investment companies. Rather, the Fund has elected to be treated as a regular corporation for federal income tax purposes and as such, unlike most investment companies, it will be subject to corporate income tax to the extent the Fund recognizes taxable income.

The common shares have been approved for listing on the American Stock Exchange, subject to notice of issuance. The trading or "ticker" symbol of the common shares is "FEN."

The underwriters expect to deliver the common shares to purchasers on or about , 2004. The underwriters named in this Prospectus have the option to purchase up to additional common shares from the Fund in certain circumstances.

Investment Adviser and Sub-Adviser. First Trust Advisors L.P. ("First Trust Advisors" or the "Adviser") will be the Fund's investment adviser, responsible for supervising the Fund's sub-adviser, monitoring the Fund's investment portfolio, managing the Fund's business affairs and providing certain clerical and bookkeeping and other administrative services. The Adviser, in consultation with the Sub-Adviser (as defined below), is also responsible for determining the Fund's overall investment strategy and overseeing its implementation. Fiduciary Asset Management, LLC ("Fiduciary Asset Management" or the "Sub-Adviser") will be the Fund's sub-adviser.

First Trust Advisors serves as investment adviser or portfolio supervisor to investment portfolios with approximately \$11.8 billion in assets which it managed or supervised as of April 30, 2004. Fiduciary Asset Management serves as investment adviser or portfolio supervisor to investment portfolios with approximately \$13.0 billion in assets which it managed or supervised as of April 30, 2004. See the Statement of Additional Information under "Investment Adviser."

Use of Financial Leverage. The Fund may seek to enhance the level of its current distributions through the use of financial leverage. The Fund may

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leverage through the issuance of preferred shares ("Preferred Shares") and/or through the issuance of commercial paper or notes and/or other borrowing by the Fund ("Borrowings"). The aggregate financial leverage through the issuance of Preferred Shares and/or Borrowings (collectively, "Financial Leverage") is expected to be up to approximately 20% of the Fund's managed assets (including the proceeds of the Financial Leverage). The determination to use Financial Leverage is subject to the Board of Trustees' approval. There is no assurance that the Fund will utilize Financial Leverage or, if Financial Leverage is utilized, that it will be successful in enhancing the level of its current distributions. The net asset value of the Common Shares will be reduced by the fees and issuance costs of any Financial Leverage. See "Use of Financial Leverage - Effects of Leverage," "Risks - Leverage Risk" and "Description of Shares."

This Prospectus sets forth concisely the information about the Fund that a prospective investor ought to know before investing. You should read this Prospectus, which contains important information about the Fund, before deciding whether to invest and retain it for future reference. A Statement of Additional Information, dated , 2004, and as it may be supplemented, containing additional information about the Fund, has been filed with the Securities and Exchange Commission and is incorporated by reference in its entirety into this Prospectus. You may request a free copy of the Statement of Additional Information, the table of contents of which is on page 49 of this Prospectus, by calling (800) 988-5891 or by writing to the Fund, or you may obtain a copy (and other information regarding the Fund) from the Securities and Exchange Commission's web site (<http://www.sec.gov>).

The Fund's common shares do not represent a deposit or obligation of, and are not guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.

(notes from previous page)

- (1) The Fund has agreed to pay the underwriters up to \$50,000 as a partial reimbursement of expenses incurred in connection with the offering (including certain legal expenses). First Trust Advisors L.P. (not the Fund) will pay A.G. Edwards & Sons, Inc. for corporate finance and consulting services. The total amount of the foregoing payments, together with any reimbursement to First Trust Portfolios, L.P. for distribution services, will not exceed 4.5% of the total price to the public of the common shares sold in this offering. See "Underwriting" and "Corporate Finance Services and Consulting Fee and Additional Underwriting Fees."
- (2) Total expenses of the offering of the common shares of the Fund paid by the Fund (other than sales load, but including up to \$50,000 as a partial reimbursement of underwriter expenses) are estimated to be \$, which represents \$0.04 per common share issued. The Fund's investment adviser has agreed to pay (i) all organizational expenses and (ii) all offering costs of the Fund (other than sales load, but including the partial reimbursement described above) that exceed \$0.04 per common share. The Fund's sub-adviser has agreed to reimburse the Fund's investment adviser for one-half of such organizational expenses and offering costs of the Fund that exceed \$0.04 per common share.

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this Prospectus. This summary does not contain all of the information that you should consider

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before investing in the Fund's common shares. You should carefully read the entire Prospectus, including the documents incorporated by reference into it, particularly the section entitled "Risks" beginning on page 25.

The Fund..... Energy Income and Growth Fund (the "Fund") is a newly organized, non-diversified, closed-end management investment company.

The Offering..... The Fund is offering common shares of beneficial interest at \$20.00 per share through a group of underwriters (the "Underwriters") led by A.G. Edwards & Sons, Inc. ("A.G. Edwards"). The common shares of beneficial interest are called "Common Shares" and the holders of Common Shares are called "Common Shareholders" in this Prospectus. The minimum purchase in this offering is 100 Common Shares (\$2,000). The Fund has given the Underwriters an option to purchase up to additional Common Shares to cover over-allotments. See "Underwriting." First Trust Advisors has agreed to pay (i) all organizational expenses and (ii) all offering costs (other than sales load but including a partial reimbursement of certain underwriting expenses) that exceed \$0.04 per Common Share. The Sub-Adviser has agreed to reimburse the Adviser for one-half of such organizational expenses and offering costs of the Fund that exceed \$0.04 per Common Share.

Investment Objective and Policies..... The Fund's investment objective is to seek a high level of after-tax total return with an emphasis on current distributions paid to shareholders. For purposes of the Fund's investment objective, total return includes capital appreciation of, and all distributions received from, securities in which the Fund will invest regardless of the tax character of the distributions. The Fund seeks to provide its shareholders with an efficient vehicle to invest in a portfolio of cash-generating securities of energy companies. The Fund will focus on investing in publicly traded master limited partnerships ("MLPs") and related public entities in the energy sector which the Fund's Sub-Adviser believes offer opportunities for income and growth. As used in this Prospectus, unless the context requires otherwise, MLPs are those MLPs in the energy sector. Due to the tax treatment of cash distributions made by MLPs to their investors (such as the Fund), the Fund believes that a significant portion of its income will be tax deferred, thereby maximizing cash available for distribution by the Fund to its shareholders. There can be no assurance that the Fund's investment objective will be achieved.

Under normal market conditions after the invest-up period, as a non-fundamental policy, the Fund will invest at least 85% of its managed assets (including assets obtained through leverage) in securities of energy companies, energy sector MLPs and MLP-related entities, and will invest at least 65% of its managed assets in equity securities of such MLPs and MLP-related entities.

The Fund has adopted the following additional non-fundamental investment policies:

- o The Fund may invest in unregistered or otherwise restricted securities. The types of unregistered or otherwise restricted securities that the Fund may purchase consist of MLP common units, MLP subordinated units and securities of public and private energy companies. The Fund does not intend to invest more than 35% of its managed assets in such restricted securities, or no more than 10% of its managed assets in private companies.
- o The Fund may invest up to 25% of its managed assets in debt securities of energy companies, MLPs and MLP-related entities, including securities rated below investment grade (commonly referred to as "junk bonds"). Below investment grade debt securities will be rated at least B3

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by Moody's Investors Service, Inc. ("Moody's") and at least B- by Standard & Poor's Ratings Group ("S&P") at the time of purchase, or comparably rated by another statistical rating organization or if unrated, determined to be of comparable quality by the Sub-Adviser.

- o The Fund will not invest more than 10% of its managed assets in any single issuer.
- o The Fund will not engage in short sales, except to the extent the Fund engages in derivative investments to seek to hedge against interest rate risk in connection with the Fund's use of Financial Leverage or market risks associated with the Fund's

portfolio.

To generate additional income, the Fund intends, on a consistent and ongoing basis, to write (or sell) covered call options on the common stock of energy companies held in the Fund's portfolio. During the period of time in which the net proceeds of the offering of Common Shares are being invested in MLPs and MLP-related entities, the Fund anticipates it will invest its managed assets in common stock of energy companies and will simultaneously write (or sell) covered call options on such securities. The Fund anticipates that it will be able to invest substantially all of the net proceeds in securities that meet the Fund's investment objective and policies within three months after the completion of the offering.

The Fund's investment objective is considered fundamental and may not be changed without shareholder approval. The remainder of the Fund's investment policies, including its investment strategy, are considered non-fundamental and may be changed by the Board of Trustees without shareholder approval. The Fund will provide investors with at least 60 days prior notice of any change in the Fund's investment strategy. Unless otherwise stated, all investment restrictions apply at the time of purchase and the Fund will not be required to reduce a position due solely to market fluctuations. The term "managed assets" means the average daily gross asset value of the Fund (which includes assets attributable to the Fund's Preferred Shares, if any, and the principal amount of borrowings), minus the sum of the Fund's accrued and unpaid dividends on any outstanding Preferred Shares and accrued liabilities (other than the principal amount of any borrowings incurred, commercial paper or notes or other forms of indebtedness issued by the Fund and the liquidation preference of any outstanding Preferred Shares). There can be no assurance that the Fund's investment objective will be achieved. See "The Fund's Investments" and "Risks" in this Prospectus and "Investment Policies and Techniques" in the Fund's Statement of Additional Information.

The Fund's Investments.....

The Fund's investments will consist of equity and/or debt securities issued by energy companies and energy sector MLPs and MLP-related entities. The companies in which the Fund will invest are generally involved

in the business of transporting, processing, storing, distributing or marketing natural gas, natural gas liquids (including propane), crude oil, refined petroleum products, coal or electricity, or exploring, developing, managing or producing such commodities or products, or in supplying energy-related products and services.

The type of MLP and MLP-related entity equity securities the Fund will purchase include common units, subordinated units and I-Shares. Unlike the holders of common stock of a corporation, investors in MLP common units, including the Fund, have limited control and voting rights on matters affecting the partnership. Investors in MLP common units are generally entitled to minimum quarterly distributions ("MQD") from the MLP, including arrearage rights, which must be satisfied before any distributions are paid to subordinated unit holders or incentive payments are made to the MLP's general partner. MLP common units are typically listed and traded on a U.S. securities exchange. While the Fund anticipates that it will generally purchase MLP common units in open market transactions, the Fund may purchase MLP common units through direct placements. MLP subordinated units provide for distributions to be made to holders once the MQD payable to common unit holders have been satisfied but prior to incentive payments to the MLP's general partner. MLP subordinated units do

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not provide for arrearage rights and are typically convertible into common units after a specified period of time or upon the achievement of specified financial goals. As MLP subordinated units are not typically listed or publicly traded, the Fund anticipates that it will purchase MLP subordinated units directly from MLP affiliates or holders of such shares. I-Shares are similar in most respects to common units except that distributions payable on I-Shares are in the form of additional I-Shares rather than cash distributions. As a result, the Fund will consider its own distribution targets and cash holdings when making a determination as to whether to purchase I-Shares.

The Fund may also invest in equity and debt securities of MLP-related entities, such as general partners or other affiliates of MLPs and equity and debt securities of energy

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companies that are organized and/or taxed as corporations.

The Fund may invest up to 35% of its managed assets in equity securities issued by energy companies. The Fund intends to purchase these equity securities in market transactions but may also purchase securities directly from the issuers in private placements. To generate additional income, the Fund intends, on a consistent and ongoing basis, to write (or sell) covered call options on the common stock of energy companies held in the Fund's portfolio.

Hedging and Strategic Transactions.....

The Fund may, but is not required to, use various hedging and strategic transactions to seek to reduce interest rate risks arising from any use of Financial Leverage, to facilitate portfolio management and mitigate risks. The Fund anticipates that, on a consistent and ongoing basis, it will write (or sell) covered call options on the common stock of energy companies held in the Fund's portfolio. During the period of time in which the net proceeds of the offering of Common Shares are being invested in MLPs and MLP-related entities, the Fund anticipates it will invest its managed assets in common stock of energy companies and will simultaneously write (or sell) covered call options on such securities. Call options are contracts representing the right to purchase a common stock at a specified price (the "strike price") at a specified future date (the "expiration date"). The price of the option is determined from trading activity in the broad options market, and generally reflects the relationship between the current market price for the underlying common stock and the strike price, as well as the time remaining until the expiration date. The Fund will write call options only if they are "covered." In the case of a call option on a common stock or other security, the option is "covered" if the Fund owns the security underlying the call or has an absolute and immediate right to acquire that security without additional cash consideration (or, if additional cash consideration is required, cash or other assets determined to be liquid by the Sub-Adviser (in accordance with procedures established by the Board of Trustees) in such amount are segregated by the Fund's custodian) upon conversion or exchange of other securities held by the Fund. The Fund anticipates that it will be able to invest substantially all of the net proceeds in securities that meet the Fund's investment

objective and policies within three months after the completion of the offering. The Fund may purchase and sell derivative investments such as exchange-listed and over-the-counter put and call options on securities, energy-related commodities, equity, fixed income and interest rate indices, and other financial instruments, purchase and sell financial futures contracts and options thereon, and enter into various interest rate transactions such as swaps, caps, floors or collars or credit transactions and credit default swaps. The Fund also may purchase derivative investments that combine features of these instruments. The Fund generally seeks to use these instruments and transactions as a

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portfolio management or hedging technique to seek to protect against possible adverse changes in the market value of securities held in or to be purchased for the Fund's portfolio, protect the value of the Fund's portfolio, facilitate the sale of certain securities for investment purposes, manage the effective interest rate exposure of the Fund, or establish positions in the derivatives markets as a temporary substitute for purchasing or selling particular securities.

Use of Financial Leverage.....

The Fund may seek to enhance the level of its current distributions through the use of Financial Leverage. The Fund intends to use leverage through the issuance of preferred shares ("Preferred Shares"), commercial paper or notes and/or other borrowings (each a "Leverage Instrument" and collectively, the "Leverage Instruments") in an aggregate amount up to approximately 20% of the Fund's managed assets after such issuance and/or borrowing. Leverage creates a greater risk of loss, as well as potential for more gain, for the Common Shares than if leverage is not used. The determination to use Financial Leverage is subject to the Board of Trustees' approval. Leverage Instruments will have seniority over the Common Shares. The use of Leverage Instruments will leverage your investment in the Common Shares. If the Fund uses Leverage Instruments, associated costs will be borne immediately by Common Shareholders and result in a reduction of the net asset value of the Common Shares.

Preferred Shares will pay dividends based on short-term rates, which will be reset frequently. Borrowings may be at a fixed or floating rate and generally will be based

upon short-term rates. So long as the rate of return, net of applicable Fund expenses, on the Fund's portfolio investments purchased with leverage exceeds the then current interest rate or dividend rate on the Leverage Instruments, the Fund will generate more return or income than will be needed to pay such dividends or interest payments. In this event, the excess will be available to pay higher distributions to holders of Common Shares. When leverage is employed, the net asset value and market prices of the Common Shares and the yield to holders of Common Shares will be more volatile.

There is no assurance that a leverage strategy will be utilized by the Fund or that, if utilized, it will be successful. See "Use of Financial Leverage" and "Risks - Leverage Risk."

Tax Considerations.....

Fund Status. The Fund will be taxed as a regular corporation for federal income tax purposes and as such will be obligated to pay federal and applicable state and foreign corporate taxes on its taxable income. This differs from most investment companies, which elect to be treated as "regulated investment companies" under the U.S. Internal Revenue Code of 1986, as amended (the "Internal Revenue Code") in order to avoid paying entity level income taxes. Under current law, the Fund will not be eligible to elect treatment as a regulated investment company due to its investment of a substantial portion of its managed assets in MLPs, the distributions from which generally are not qualifying income for a regulated investment company. As a result, the Fund will be obligated to pay taxes on its taxable income as opposed to most other investment companies which are not so obligated. However, as discussed below, the Fund expects that a substantial portion of the income it receives from MLPs will be treated as a tax-deferred return of capital, thus reducing the Fund's current tax liability. Legislation is currently being considered which would make units in MLPs in the energy sector eligible investments for regulated investment companies. If enacted, such legislation would put the Fund at a competitive disadvantage to other funds that elect to be treated as regulated investment companies. If such legislation is enacted, the Fund may in the future elect to be treated as a regulated investment company. The taxation of Fund distributions is discussed further under "Tax Matters."

Fund Assets.

- o Investments in MLPs. The Fund will invest primarily in MLPs and MLP-related entities. The benefit the Fund derives from its investment in MLPs is largely dependent on MLPs being treated as partnerships for federal income tax purposes. As a partnership, an MLP has no income tax liability at the entity level. As a limited partner in the MLPs in which it invests, the Fund will be allocated its pro rata share of income, gains, losses, deductions and expenses from the MLPs. A significant portion of MLP income has historically been offset by tax deductions. In this situation, the Fund will incur a current tax liability on that portion of a distribution not offset by tax deductions with the remaining portion of the distribution being treated as a tax-deferred return of capital. The Fund's tax basis in its MLP units would be reduced by amounts treated as tax-deferred return of capital, which would potentially increase the Fund's taxable gain upon the sale of an MLP. The percentage of an MLP's distribution which is offset by tax deductions will fluctuate over time for various reasons. A significant slowdown in acquisition activity by MLPs held by the Fund could result in a reduction of accelerated depreciation or other deductions generated by new acquisitions, which may result in increased current tax liability to the Fund. A reduction in the percentage of a distribution offset by tax deductions or an increase in the Fund's portfolio turnover will reduce that portion of the Fund's distribution treated as a tax-deferred return of capital and increase that portion treated as dividend income, resulting in reduced Fund distributions and lower after-tax distributions to the Fund's Common Shareholders.

- o Investments in Other Securities. The Fund may also invest in equity and debt securities of energy companies that are organized and/or taxed as corporations. Interest and dividend payments received by the Fund with respect to such securities generally will be included in the Fund's corporate taxable income in the year in which it is received, although the Fund may qualify for the dividends-received deduction with

respect to dividends on certain of the equity securities owned by the Fund.

Shareholder Tax Aspects.

- o Current Distributions on Shares. Common Shareholders of the Fund will hold common shares of a Massachusetts business trust which has elected for federal income tax purposes to be taxed as a corporation. There is a significant difference, for federal income tax purposes, between owning common shares of a taxable entity treated as a corporation for federal income tax purposes (such as the Fund) versus owning partnership interests in the MLPs in which the Fund will invest. Common Shareholders of the Fund will be subject to potential income tax only if the Fund pays out distributions. Depending on the nature of the distribution made by the Fund, the tax character of such distribution to Common Shareholders will vary. Distributions made from current and accumulated earnings and profits of the Fund will be taxable to Common Shareholders as dividend income. Dividend income generally will qualify for treatment as "qualified dividend income" for federal income tax purposes if holding period and other requirements are satisfied. Qualified dividend income received by individual shareholders is taxed at long-term capital gains rates, which reach a maximum of 15%. The special tax treatment afforded to qualified dividend income is set to end as of December 31, 2008 (assuming such special tax treatment is not repealed by Congress before then). Higher tax rates will apply in 2009 unless further legislative action is taken by Congress. Distributions that are in an amount greater than the Fund's current and accumulated earnings and profits will represent a tax-deferred return of capital to the extent of a Common Shareholder's basis in its Common Shares, and such distributions would correspondingly reduce the Common Shareholder's basis in its Common Shares. A reduction in the Common Shareholder's basis would potentially increase the Common Shareholder's gain upon the sale of the Common Shares. Additionally, excess distributions that exceed a Common Shareholder's tax basis in its Common Shares will be taxed as gain. The past performance of MLPs indicates that a substantial portion of the Fund's distributions to Common

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Shareholders will likely represent a tax-deferred return of capital. However,

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there can be no guarantee that the Fund's expectation regarding the tax character of its distributions will be realized or that the Fund will make regular distributions.

- o Sale of Shares. Common Shareholders generally will recognize a gain or loss upon the sale of their Common Shares. Such gain or loss is equal to the difference between the Common Shareholder's federal income tax basis in its Common Shares sold (as adjusted to reflect return of capital) and the sale proceeds received by the Common Shareholder upon the disposition of Common Shares. As a general rule, the sale of a capital asset, like Common Shares, held for more than a year will result in a long-term capital gain or loss. See "Tax Matters."

Comparison with Direct
Investments in MLPs.....

The Fund seeks to provide an efficient method for investing in MLPs, MLP-related entities and other energy companies. Some of the benefits of investing in the Fund as opposed to directly investing in MLPs include:

- o The Fund provides, through a single investment vehicle, an investment in a portfolio of a number of MLPs, MLP-related entities and other energy companies;
- o Direct investors in MLPs receive a partnership statement (a Form K-1 statement) from each MLP they own and may be required to file income tax returns in each state in which the MLPs operate. Common Shareholders of the Fund will receive a single Form 1099 and will only be required to file income tax returns in states in which they would ordinarily file;
- o Direct investors in MLPs are limited in their ability to use losses to offset other gains by the passive activity income and loss rules, whereas Common Shareholders of the Fund are not so limited. The Fund, however, would be subject to the passive activity income and loss rules if in the future it elects to be treated as a regulated investment

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company for federal income tax purposes; and

- o Income received by tax-exempt investors, including employee benefit plans and IRA accounts, from MLPs is treated as unrelated business taxable income ("UBTI"), whereas distributions these investors receive from an entity treated for federal income tax purposes as a corporation (such as the Fund) will generally not be treated as UBTI, unless the stock is debt-financed.

Investment Adviser
and Sub-Adviser.....

First Trust Advisors L.P. ("First Trust Advisors" or the "Adviser") will be the Fund's investment adviser, responsible for supervising the Fund's sub-adviser, monitoring the Fund's investment portfolio, managing the Fund's business affairs and providing certain clerical and bookkeeping and other administrative services. The Adviser, in consultation with the Sub-Adviser (as defined below), is also responsible for determining the Fund's overall investment strategy and overseeing its implementation. Fiduciary Asset Management LLC ("Fiduciary Asset Management" or the "Sub-Adviser") will be the Fund's sub-adviser.

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First Trust Advisors, a registered investment adviser, is an Illinois limited partnership formed in 1991. First Trust Advisors serves as investment adviser or portfolio supervisor to investment portfolios with approximately \$11.8 billion in assets which it managed or supervised as of April 30, 2004.

Fiduciary Asset Management, LLC is a Missouri limited liability company and a registered investment adviser, which manages a broad range of equity and fixed income securities for institutional and private wealth clients. Founded in 1994, Fiduciary Asset Management serves as investment adviser or portfolio supervisor to investment portfolios with approximately \$13.0 billion of assets, which it managed or supervised as of April 30, 2004.

Distributions.....

The Fund's distributions generally will consist of (i) cash and paid-in-kind distributions from MLPs or their affiliates, dividends from common stocks, interest from

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debt instruments and income from other investments held by the Fund less (ii) current or accrued operating expenses of the Fund, including, taxes on Fund taxable income and leverage costs. The Fund anticipates that, due to the tax treatment of cash distributions made by MLPs in which the Fund will invest, a significant portion of distributions the Fund makes to Common Shareholders will consist of a tax-deferred return of capital. The Fund intends to make quarterly distributions to Common Shareholders. The Fund expects that it will declare and make a distribution in early October 2004. As a result of the length of time the Adviser and Sub-Adviser believe it will take to invest fully the proceeds of the offering, the return and yield on the Common Shares in the first year of the Fund's investment operations is expected to be lower than when the Fund is fully invested in accordance with its objective and policies. The Fund anticipates that a significant portion of the first distribution will be made from sources other than cash distributions from its portfolio of MLP and MLP-related entity investments, and may consist of a return of investors' capital. There is no assurance that the Fund will continue to make regular distributions. See "Shareholder Tax Features" in this Summary and "Tax Matters."

Unless a shareholder elects to receive distributions in cash, distributions will be used to purchase additional Common Shares of the Fund. See "Dividend Reinvestment Plan."

Listing.....	The Common Shares have been approved for listing on the American Stock Exchange, subject to notice of issuance. The trading or "ticker" symbol of the Common Shares is "FEN."
Corporate Finance Services and Consulting Agent.....	A.G. Edwards will serve as corporate finance services and consulting agent. See "Corporate Finance Services and Consulting Fee and Additional Underwriting Fees."
Custodian, Administrator and Transfer Agent.....	PFPC Trust Company will serve as custodian, and PFPC Inc. will serve as administrator, fund accountant and transfer agent for the Fund. See "Custodian, Administrator and Transfer Agent."
Closed-End Structure.....	Closed-end funds differ from open-end management investment companies (commonly referred to as mutual funds) in that closed-end funds generally list their shares

for trading on a securities exchange and do not redeem their shares at the option of the shareholder. By comparison, mutual funds issue securities redeemable at net asset value at the option of the shareholder and typically engage in a continuous offering of their shares. Mutual funds are subject to continuous asset in-flows and out-flows that can complicate portfolio management, whereas closed-end funds generally can stay more fully invested in securities consistent with the closed-end fund's investment objective and policies. In addition, in comparison to

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open-end funds, closed-end funds have greater flexibility in their ability to make certain types of investments, including investments in illiquid securities.

However, shares of closed-end investment companies listed for trading on a securities exchange frequently trade at a discount from net asset value, but in some cases trade at a premium. The market price may be affected by net asset value, dividend or distribution levels (which are dependent, in part, on expenses), supply of and demand for the shares, stability of dividends or distributions, trading volume of the shares, general market and economic conditions and other factors beyond the control of the closed-end fund. The foregoing factors may result in the market price of the Common Shares being greater than, less than or equal to net asset value. The Board of Trustees has reviewed the structure of the Fund in light of its investment objective and policies and has determined that the closed-end structure is in the best interests of the shareholders. As described in this Prospectus, however, the Board of Trustees may review periodically the trading range and activity of the Fund's shares with respect to its net asset value and the Board may take certain actions to seek to reduce or eliminate any such discount. Such actions may include open market repurchases or tender offers for the Common Shares at net asset value or the possible conversion of the Fund to an open-end mutual fund. There can be no assurance that the Board will decide to undertake any of these actions or that, if undertaken, such actions would result in the Common Shares trading at a price equal to or close to net asset value per Share. In addition, as noted above, the Board of Trustees has determined in connection with this initial offering of Common Shares of the Fund that the closed-end structure is desirable, given the

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Fund's investment objective and policies. Investors should assume, therefore, that it is highly unlikely that the Board would vote to convert the Fund to an open-end investment company. See "Structure of the Fund; Common Share Repurchases and Change in Fund Structure."

Special Risk Considerations.....

No Operating History. The Fund is a newly organized, non-diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended (the "1940 Act"), with no history of operations.

Investment and Market Risk. An investment in the Fund's Common Shares is subject to investment risk, including the possible loss of the entire principal amount that you invest. Your investment in Common Shares represents an indirect investment in the securities owned by the Fund, substantially all of which are traded on a national securities exchange or in the over-the-counter markets. The value of these securities, like other market investments, may move up or down, sometimes rapidly and unpredictably. The value of the securities in which the Fund invests will affect the value of the Common Shares. Your Common Shares at any point in time may be worth less than your original investment, even after taking into account the reinvestment of Fund dividends and distributions.

Energy Sector. The Fund's investments will generally be concentrated in the energy sector, with a particular concentration in energy sector MLPs and MLP-related entities. Certain risks inherent in investing in the energy business of these types of securities include the following:

- o Commodity Pricing Risk. MLPs, MLP-related entities and energy companies may be directly affected by energy commodity prices, especially those MLPs, MLP-related entities and energy companies who own the underlying energy commodity. Commodity prices fluctuate for several reasons including, changes in market and economic conditions, the impact of weather on demand, levels of domestic production and imported commodities, energy conservation, domestic and foreign governmental regulation and taxation and the availability of local,

intrastate and interstate transportation systems. Volatility of commodity prices which leads to a reduction in production or supply may also impact the performance of MLPs, MLP-related entities and energy companies who are solely involved in the transportation, processing, storing, distribution or marketing of commodities. Volatility of commodity price may also make it more difficult for MLPs, MLP-related entities and energy companies to raise capital to the extent the market perceives that their performance may be directly tied to commodity prices.

- o Supply and Demand Risk. A decrease in the production of natural gas, natural gas liquids ("NGLs"), crude oil, coal or other energy commodities or a decrease in the volume of such commodities available for transportation, processing, storage or distribution may adversely impact the financial performance of MLPs, MLP-related entities and energy companies. Production declines and volume decreases could be caused by various factors including, catastrophic events affecting production, depletion of resources, labor difficulties, environmental proceedings, increased regulations, equipment failures and unexpected maintenance problems, import supply disruption, increased competition from alternative energy sources or depressed commodity prices. Alternatively, a sustained decline in demand for such commodities could also impact the financial performance of MLPs, MLP-related entities and energy companies. Factors which could lead to a decline in demand include economic recession or other adverse economic conditions, higher fuel taxes or governmental regulations, increases in fuel economy, consumer shifts to the use of alternative fuel sources, an increase in commodity prices, or weather.
- o Depletion and Exploration Risk. MLPs, MLP-related entities and energy companies engaged in the production (exploration, development, management or production) of natural gas, NGLs (including propane), crude oil, refined petroleum products or coal are subject to the risk that their commodity reserves naturally deplete over time. MLPs, MLP-related entities and energy

companies generally increase reserves through expansion of their existing business, through exploration of new sources or development of existing sources, through acquisitions or by securing long-term contracts to acquire additional reserves, each of which entails risk. The financial performance of these issuers may be adversely affected if they are unable to acquire cost-effectively additional reserves at a rate at least equal to the rate of natural decline. A failure to maintain or increase reserves could reduce the amount and change the characterization of cash distributions paid by these MLPs, MLP-related entities and energy companies.

- o Regulatory Risk. MLPs, MLP-related entities and energy companies are subject to significant federal, state and local government regulation in virtually every aspect of their operations, including how facilities are constructed, maintained and operated, environmental and safety controls, and the prices they may charge for the products and services. Various governmental authorities have the power to enforce compliance with these regulations and the permits issued under them and violators are subject to administrative, civil and criminal penalties, including civil fines, injunctions or both. Stricter laws, regulations or enforcement policies could be enacted in the future which would likely increase compliance costs and may adversely affect the financial performance of MLPs, MLP-related entities and energy companies.
- o Interest Rate Risk. Rising interest rates could adversely impact the financial performance of MLPs, MLP-related entities and energy companies. Rising interest rates may increase an MLP's, MLP-related entity's or energy company's cost of capital, which would increase operating costs and may reduce an MLP's, MLP-related

entity's or energy company's ability to execute acquisitions or expansion projects in a cost-effective manner. Rising interest rates may also impact the price of MLP units, MLP-related entity securities and energy company shares as the yields on alternative

investments increase.

- o Acquisition Risk. The ability of MLPs to grow and to increase distributions to unitholders is dependent principally on their ability to make acquisitions that result in an increase in adjusted operating surplus per unit. In the event that MLPs are unable to make such accretive acquisitions either because they are unable to identify attractive acquisition candidates or negotiate acceptable purchase contracts or because they are unable to raise financing for such acquisitions on economically acceptable terms or because they are outbid by competitors, their future growth and ability to raise distributions will be limited. Furthermore, even if MLPs do consummate acquisitions that they believe will be accretive, the acquisitions may in fact turn out to result in a decrease in adjusted operating surplus per unit. As MLP general partners typically receive a greater percentage of increased cash distributions, in an effort to increase cash distributions the general partner may make acquisitions which, due to various factors, including increased debt obligations as well as the factors set forth below, may adversely affect the MLP. Any acquisition involves risks, including among other things: mistaken assumptions about revenues and costs, including synergies; the assumption of unknown liabilities; limitations on rights to indemnity from the seller; the diversion of management's attention from other business concerns; unforeseen difficulties operating in new product areas or new geographic areas; and customer or key employee losses at the acquired businesses.
- o Affiliated Party Risk. A few of the midstream MLPs are dependent on their parents or sponsors for a majority of their revenues. Any failure by the parents or sponsors to satisfy their payments or obligations would impact the MLPs' revenues and cash flows and ability to make distributions.
- o Catastrophe Risk. The operations of MLPs, MLP-related entities and energy companies are subject to many hazards inherent in the transporting, processing, storing, distributing or marketing of natural gas, NGLs, crude oil, refined petroleum products or other hydrocarbons, or in the exploring,

managing or producing of such commodities or products, including: damage to pipelines, storage tanks or related equipment and surrounding properties caused by hurricanes, tornadoes, floods, fires and other natural disasters and acts of terrorism; inadvertent damage from construction and farm equipment; leaks of natural gas, NGLs, crude oil, refined petroleum products or other hydrocarbons; fires and explosions. These risks could result in substantial losses due to personal injury and/or loss of life, severe damage to and destruction of property and equipment and pollution or other environmental damage and may result in the curtailment or suspension of their related operations. Not all MLPs, MLP-related entities and energy companies are fully insured against all risks inherent to their businesses. If a significant accident or event occurs that is not fully insured, it could adversely affect their operations and financial condition.

- o Terrorism/Market Disruption Risk. The terrorist attacks in the United States on September 11, 2001 had a disruptive effect on the securities markets. United States military and related action in Iraq is ongoing and events in the Middle East could have significant adverse effects on the U.S. economy and the stock market. Uncertainty surrounding retaliatory military strikes or a sustained military campaign may affect energy company operations in unpredictable ways, including disruptions of fuel supplies and markets, and transmission and

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distribution facilities could be direct targets, or indirect casualties, of an act of terror. Since the September 11th attacks, the U.S. government has issued warnings that energy assets, specifically the United States' pipeline infrastructure, may be the future target of terrorist organizations. In addition, changes in the insurance markets attributable to the September 11th attacks have made certain types of insurance more difficult, if not impossible, to obtain and have generally resulted in increased premium costs.

- o MLP Risks. An investment in MLP units involves risks which differ from an

investment in common stock of a corporation. Holders of MLP units have limited control and voting rights on matters affecting the partnership. In addition, there are certain tax risks associated with an investment in MLP units and conflicts of interest exist between common unit holders and the general partner, including those arising from incentive distribution payments.

Cash Flow Risk. A substantial portion of the cash flow received by the Fund will be derived from its investment in equity securities of MLPs and MLP-related entities. The amount of cash an MLP or MLP-related entity has available for distributions and the tax character of such distributions is dependent upon the amount of cash generated by the MLP's or MLP-related entity's operations. Cash available for distribution will vary from quarter to quarter and is largely dependent on factors affecting the MLP's or MLP-related entity's operations and factors affecting the energy industry in general. In addition to the risk factors described above, other factors which may reduce the amount of cash an MLP or MLP-related entity has available for distribution include increased operating costs, capital expenditures, acquisition costs, expansion, construction or exploration costs and borrowing costs. As a result of the length of time the Adviser and Sub-Adviser believe it will take to invest fully the proceeds of the offering, the return and yield on the Common Shares in the first year of the Fund's investment operations is expected to be lower than when the Fund is fully invested in accordance with its objective and policies. The Fund anticipates that a significant portion of the first distribution will be made from sources other than cash distributions from its portfolio of MLP and MLP-related entity investments, and may consist of a return of investors' capital.

Tax Risk of MLPs. The benefit the Fund derives from its investment in MLPs is largely dependent on MLPs being treated as partnerships for federal income tax purposes. As a partnership, an MLP has no income tax liability at the entity level. If, as a result of a change in current law or a change in an MLP's business, an MLP were treated as a corporation for federal income tax purposes, such MLP would be obligated to pay federal income tax on its income at the corporate tax rate. If an

MLP was classified as a corporation for federal income tax purposes, the amount of cash available for distribution would be reduced and distributions received by the Fund would be taxed entirely as dividend income. Therefore, treatment of an MLP as a corporation for federal tax purposes would result in a material reduction in the after-tax return to the Fund, likely causing a substantial reduction in the value of the Common Shares.

As a limited partner in the MLPs in which it invests, the Fund will be allocated its pro rata share of income, gains, losses, deductions and expenses from the MLPs. A significant portion of MLP income has historically been offset by tax deductions. The Fund will incur a current tax liability on that portion of a distribution that is not offset by tax deductions, with the remaining portion of the distribution being treated as a tax-deferred return of capital. The percentage of an MLP's distribution which is offset by tax deductions will fluctuate over time for various reasons. A significant slowdown in acquisition activity by MLPs held in the Fund's portfolio could result in a reduction of accelerated depreciation or other deductions generated by new acquisitions, which may result in

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increased current tax liability to the Fund. A reduction in the percentage of a distribution offset by tax deductions or an increase in the Fund's portfolio turnover will reduce that portion of the Fund's distribution treated as a tax-deferred return of capital and increase that portion treated as dividend income, resulting in reduced Fund distributions and lower after-tax distributions to the Fund's Common Shareholders. See "Risks - Deferred Tax Risk."

Delay in Investing the Proceeds of this Offering. Although the Fund currently intends to invest the proceeds of any sales of Common Shares as soon as practicable following the completion of the offering, such investments may be delayed if suitable investments are unavailable at the time or if the Fund is unable to secure firm commitments for direct placements. The trading market and volumes for MLP, MLP-related entity and energy company shares may at times be less liquid than the market for other securities. As a result, it is not anticipated that the Fund will be fully invested immediately after the completion of

the offering and it may take a period of time before the Fund is able to accumulate positions in certain securities. Prior to the time the Fund is fully invested, the proceeds of the offering may be invested in cash, cash equivalents or other securities, pending investment in MLP, MLP-related entity or energy company securities. During the period of time in which the net proceeds of the offering of Common Shares are being invested in MLPs and MLP-related entities, the Fund anticipates it will invest its managed assets in common stock of energy companies and will simultaneously write (or sell) covered call options on such securities. Income received by the Fund from these securities would subject the Fund to corporate tax before any distributions to Common Shareholders. As a result, the return and yield on the Common Shares in the first year of the Fund's investment operations is expected to be lower than when the Fund is fully invested in accordance with its objective and policies. See "Use of Proceeds."

Equity Securities Risk. MLP units and other equity securities are sensitive to general movements in the stock market and a drop in the stock market may depress the price of securities to which the Fund has exposure. MLP units and other equity securities prices fluctuate for several reasons including changes in the financial condition of a particular issuer (generally measured in terms of distributable cash flow in the case of MLPs), investors' perceptions of MLPs and energy companies, the general condition of the relevant stock market, or when political or economic events affecting the issuers occur. In addition, the price of MLP units and other equity securities may be particularly sensitive to rising interest rates, as the cost of capital rises and borrowing costs increase.

Certain of the energy companies in which the Fund may invest may have comparatively smaller capitalizations. Investing in securities of smaller MLPs, MLP-related entities and energy companies presents some unique investment risks. These companies may have limited product lines and markets, as well as shorter operating histories, less experienced management and more limited financial resources than larger MLPs, MLP-related entities and energy companies and may be more vulnerable to adverse general market or economic developments. Stocks of smaller MLPs, MLP-related entities and energy companies may be less liquid than those of larger MLPs, MLP-related entities

and energy companies and may experience greater price fluctuations than larger MLPs, MLP-related entities and energy companies. In addition, small-cap securities may not be widely followed by the investment community, which may result in reduced demand.

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MLP subordinated units in which the Fund will invest generally convert to common units at a one-to-one ratio. The purchase or sale price is generally tied to the common unit price less a discount. The size of the discount varies depending on the likelihood of conversion, the length of time remaining to conversion, the size of the block purchased and other factors.

The Fund may invest in I-Shares which represent an indirect investment in MLP i-units. While not precise, the price of I-Shares and their volatility tend to be correlated to the price of common units. I-Shares are subject to the same risks as MLP common units.

Leverage Risk. The Fund may use leverage for investment purposes, to finance the repurchase of its Common Shares, and to meet cash requirements. Although the use of leverage by the Fund may create an opportunity for increased return for the Common Shares, it also results in additional risks and can magnify the effect of any losses. If the income and gains earned on the securities and investments purchased with leverage proceeds are greater than the cost of the leverage, the Common Shares' return will be greater than if leverage had not been used. Conversely, if the income or gains from the securities and investments purchased with such proceeds does not cover the cost of leverage, the return to the Common Shares will be less than if leverage had not been used. There is no assurance that a leveraging strategy will be successful. In addition, certain types of leverage may result in the Fund being subject to covenants relating to asset coverage and the Fund's portfolio composition and may impose special restrictions on the Fund's use of various investment techniques or strategies or in its ability to pay dividends and other distributions on Common Shares in certain instances. In certain types of borrowings, the Fund may also be required to pledge assets to the lenders. Leverage involves risks and special considerations for Common Shareholders including:

- o the likelihood of greater volatility of net asset value and market price of the Common Shares than a comparable portfolio without leverage;
- o the risk that fluctuations in interest rates on borrowings and short-term debt or in the dividend rates on any Preferred Shares that the Fund may pay will reduce the return to the Common Shareholders or will result in fluctuations in the distributions paid on the Common Shares;
- o the effect of leverage in a declining market, which is likely to cause a greater decline in the net asset value of the Common Shares than if the Fund were not leveraged, which may result in a greater decline in the market price of the Common Shares; and
- o when the Fund uses financial leverage, the investment advisory fee payable to the Adviser and Sub-Adviser will be higher than if the Fund did not use leverage.

The Board of Trustees, in its judgment, nevertheless may determine to continue to use leverage if it expects that the benefits to the Fund's Common Shareholders of maintaining the leveraged position will outweigh the current reduced return.

Derivatives. The Fund's hedging and strategic transactions have risks, including the imperfect correlation between the value of such instruments and the underlying assets of the Fund, the possible default of the other party to the transaction or illiquidity of the derivative investments. Furthermore, the ability to successfully use hedging and interest rate transactions depends on the Sub-Adviser's ability to predict pertinent market movements, which cannot be assured. Thus, the use of derivatives for hedging and interest rate management purposes may result in losses greater than if they had not been used, may require the Fund to sell or purchase

portfolio securities at inopportune times or for prices other than current market values, may limit the amount of appreciation the Fund can realize on an investment, or may cause the Fund to hold a security that it might otherwise sell. Additionally, amounts paid by the Fund as premiums and cash or

other assets held in margin accounts with respect to hedging and strategic transactions are not otherwise available to the Fund for investment purposes. As the writer of a covered call option, the Fund forgoes, during the option's life, the opportunity to profit from increases in the market value of the security covering the call option above the sum of the premium and the strike price of the call, but has retained the risk of loss should the price of the underlying security decline. The writer of an option has no control over the time when it may be required to fulfill its obligation as a writer of the option. Once an option writer has received an exercise notice, it cannot effect a closing purchase transaction in order to terminate its obligation under the option and must deliver the underlying security at the exercise price. See "Risks - Derivatives."

Portfolio Turnover Risk. The Fund's annual portfolio turnover rate may vary greatly from year to year. Although the Fund cannot accurately predict its annual portfolio turnover rate, it is not expected to exceed 30% under normal circumstances. However, portfolio turnover rate is not considered a limiting factor in the execution of investment decisions for the Fund. High portfolio turnover may result in the Fund's recognition of gains that will be taxable as ordinary income to the Fund. A high portfolio turnover may increase the Fund's current and accumulated earnings and profits, resulting in a greater portion of the Fund's distributions being treated as a dividend to the Fund's Common Shareholders. In addition, a higher portfolio turnover rate results in correspondingly greater brokerage commissions and other transactional expenses that are borne by the Fund. See "The Fund's Investments - Investment Practices - Portfolio Turnover" and "Tax Matters."

Restricted Securities. The Fund may invest in unregistered or otherwise restricted securities. The term "restricted securities" refers to securities that are unregistered or are held by control persons of the issuer and securities that are subject to contractual restrictions on their resale. As a result, restricted securities may be more difficult to value and the Fund may have difficulty disposing of such assets either in a timely manner or for a reasonable price. In order to dispose of an unregistered security, the Fund, where it has contractual rights to do so, may have to cause such security to be registered. A

considerable period may elapse between the time the decision is made to sell the security and the time the security is registered so that the Fund could sell it. Contractual restrictions on the resale of securities vary in length and scope and are generally the result of a negotiation between the issuer and acquiror of the securities. The Fund would, in either case, bear market risks during that period.

Liquidity Risk. Although common units of MLPs, I-Shares of MLP-related entities, and common stock of energy companies trade on the NYSE, AMEX, and the NASDAQ National Market, certain securities may trade less frequently, particularly those with smaller capitalizations. Securities with limited trading volumes may display volatile or erratic price movements. Larger purchases or sales of these securities by the Fund in a short period of time may result in abnormal movements in the market price of these securities. This may affect the timing or size of Fund transactions and may limit the Fund's ability to make alternative investments. See "The Fund's Investments - Investment Philosophy and Process."

Valuation Risk. Market prices generally will not be available for subordinated units, direct ownership of general partner interests, restricted securities or unregistered securities of certain MLPs, MLP-related entities or private companies,

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and the value of such investments will ordinarily be determined based on fair valuations determined by the Board of Trustees or its designee pursuant to procedures adopted by the Board of Trustees. The value of these securities typically requires more reliance on the judgment of the Sub-Adviser than that required for securities for which there is an active trading market. In addition, the Fund will rely on information provided by the MLPs, which is not necessarily timely, to calculate taxable income allocable to the MLP units held in the Fund's portfolio and to calculate associated deferred tax liability for purposes of financial statement reporting and determining the Fund's net asset value. From time to time the Fund will modify its estimates and/or assumptions regarding its deferred tax liability as new information becomes available. To the extent the Fund modifies

its estimates and/or assumptions, the net asset value of the Fund would likely fluctuate. See "Net Asset Value."

Interest Rate Risk. Interest rate risk is the risk that equity and debt securities will decline in value because of changes in market interest rates. When market interest rates rise, the market value of the securities in which the Fund invests generally will fall. The Fund's investment in such securities means that the net asset value and market price of the Common Shares will tend to decline if market interest rates rise. Interest rates are at or near historic lows, and as a result, they are likely to rise over time. Certain debt instruments, particularly below investment grade securities, may contain call or redemption provisions which would allow the issuer thereof to prepay principal prior to the debt instrument's stated maturity. This is known as prepayment risk. Prepayment risk is greater during a falling interest rate environment as issuers can reduce their cost of capital by refinancing higher yielding debt instruments with lower yielding debt instruments. An issuer may also elect to refinance their debt instruments with lower yielding debt instruments if the credit standing of the issuer improves. To the extent the Fund's debt securities are called or redeemed, the Fund may be forced to reinvest in lower yielding securities.

Below Investment Grade Securities. Below investment grade debt securities are commonly referred to as "junk bonds." Below investment grade quality securities are considered speculative with respect to an issuer's capacity to pay interest and repay principal. They involve greater risk of loss, are subject to greater price volatility and are less liquid, especially during periods of economic uncertainty or change, than higher rated debt instruments. Below investment grade securities may also be more susceptible to real or perceived adverse economic and competitive industry conditions than higher rated debt instruments. The Fund does not intend to invest in securities issued by a partnership or company in bankruptcy reorganization, subject to a public or private debt restructuring or otherwise in default or in significant risk of default in the payment of interest and principal ("distressed securities"). In the event any security held by the Fund becomes distressed, the Fund may be required to incur extraordinary expenses in order to attempt to protect and/or recover its investment. In such situations,

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there can be no assurance as to when or if the Fund will recover any of its investment in such distressed securities, or the value thereof.

Non-Diversification. The Fund is a non-diversified investment company under the 1940 Act and will not be treated as a regulated investment company under the Internal Revenue Code. Accordingly, there are no regulatory requirements under the 1940 Act or the Internal Revenue Code on the minimum number or size of securities held by the Fund. There currently are approximately fifty-five (55) publicly traded MLPs,