

SUPREME INDUSTRIES INC
Form 8-K
February 21, 2008

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED):

February 21, 2008

SUPREME INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation)

1-8183
(Commission File No.)

75-1670945
(IRS Employer Identification No.)

P.O. Box 237
2581 E. Kercher Road
Goshen, Indiana 46528

(Address of principal executive offices) (Zip Code)

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Registrant's telephone number, including area code: **(574) 642-3070**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Section 2- Financial Information

Item 2.02 Results of Operations and Financial Condition.

On February 21, 2008, Supreme Industries, Inc. (the Company) issued a press release (the Press Release) announcing its financial results for the fourth quarter and full year ended December 29, 2007. A copy of the Press Release is being furnished as Exhibit 99.1 to this Current Report on Form 8-K, and is incorporated by reference into this Item 2.02, and the foregoing description of the Press Release is qualified in its entirety by reference to Exhibit 99.1.

Pursuant to General Instruction B.2 of Form 8-K, the information in this Current Report on Form 8-K, including the exhibit, shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liability of that section, and is not incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Section 9 Financial Statements and Exhibits

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

The following exhibit is furnished with this Form 8-K:

99.1 Press Release of the Company dated February 21, 2008.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

SUPREME INDUSTRIES, INC.

Date: February 21, 2008

By: /s/ JEFFERY D. MOWERY
Jeffery D. Mowery
Vice President and Chief Financial Officer
(Principal Financial and Accounting
Officer)

EXHIBIT INDEX

Exhibit No.	Description
99.1	Press Release of the Company dated February 21, 2008.

\$ 53,500 (11) Frank J. Fahrenkopf, Jr., Director \$18,000 \$ 31,000 (3) Arthur V. Ferrara, Director \$18,500 \$ 30,000 (9) Anthony R. Pustorino, Director \$23,500 \$132,286(17) Salvatore J. Zizza, Director \$21,000 \$ 73,750 (11) -----
TOTAL** \$140,000 (2) Represents the total compensation paid to such persons during the calendar year ended December 31, 2002 by investment companies (including the Fund) or portfolios thereof from which such person receives compensation that are considered part of the same fund complex as the Fund because they have common or affiliated investment advisers. The number in parenthesis represents the number of such investment companies and portfolios. For his service as Vice President of the Fund, Mr. Austin received compensation in 2002 of \$190,000.

Indemnification of Officers and Directors; Limitations on Liability The By-Laws of the Fund provide that the Fund, to the fullest extent permitted by law, will indemnify its current and former Directors and Officers and may indemnify its employees or agents against liabilities and expenses incurred in connection with litigation in which they may be involved because of their offices or association with the Fund. Maryland law does not permit indemnification of present or former directors, officers, employees or agents in connection with any proceeding to which they may be made a party by reason of their service to the Fund if (i) the act or omission of such person or entity, was material to the matter giving rise to the proceeding and (a) was committed in bad faith; or (b) was the result of active and deliberate dishonesty; (ii) the person or entity actually received an improper personal benefit in money, property or services; or (iii) in the case of any criminal proceeding, person or entity had reasonable cause to believe that the act or omission was unlawful. B-18 Under Maryland law, the Fund is not permitted to indemnify for an adverse judgment in a suite by or in the right of the Fund for a judgment of liability on the basis that personal benefit was improperly received, unless in either case a court orders indemnification and then only for expenses. The termination of any proceeding by conviction or upon a plea of nolo contendere or its equivalent or an entry of an order of probation prior to judgment creates a rebuttable presumption that the director, officer, employee or agent did not meet the requisite standard of conduct required for permitted indemnification. The termination of any proceeding by judgment, order or settlement, however, does not create such a presumption. The By-Laws and Maryland law permits the Fund to advance reasonable expenses to current or former Directors, officers, employees and agents upon the Fund's receipt of a written affirmation by such person or entity of its good faith belief that it has met the standard of conduct necessary for indemnification by the Fund, and a written undertaking by such person or entity (or on its behalf) behalf to repay the amount paid or reimbursed by the Fund if it is ultimately determined that such person or entity did not meet the requisite standard of conduct. The By-Laws further requires that one of the following conditions must also be met to advance payment of expenses: (i) the person or entity seeking indemnification shall provide a security in the form and amount acceptable to the Fund for its undertaking; (ii) the Fund is insured against losses arising by reason of the advance; (iii) approval by a majority of a quorum of the Directors of the Fund who are neither "interested persons" as defined by Section 2(a)(19) of the 1940 Act nor parties to the proceeding, or (iv) a written opinion of independent legal counsel, based on a review of the facts readily available to the Fund at the time the advance is proposed to be made, to the effect that there is reason to believe that the person or entity seeking indemnification will ultimately be found to be entitled to indemnification. Maryland law permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages

except for liability resulting from actual receipt of an improper benefit or profit in money, property or services or active and deliberate dishonesty established by final judgment as being material to the cause of action. The Charter of the Fund provides for such a limitation, except to the extent such exemption is not permitted by the 1940 Act, as amended from time to time. Investment Advisory and Administrative Arrangements Gabelli Funds, LLC acts as the Fund's Investment Adviser pursuant to an advisory agreement with the Fund (the "Advisory Agreement"). The Investment Adviser is a New York corporation with principal offices located at One Corporate Center, Rye, New York 10580. The Investment Adviser was organized in 1999 and is the successor to Gabelli Funds, Inc., which was organized in 1980. As of June 30, 2003, the Investment Adviser acted as registered investment advisers to 19 management investment companies with aggregate net assets of \$9.3 billion. The Investment Adviser, together with other affiliated investment advisers set forth below, had assets under management totaling approximately \$21.9 billion, as of June 30, 2003. GAMCO Investors, Inc., an affiliate of the Investment Adviser, acts as investment adviser for individuals, pension trusts, profit sharing trusts and endowments and as a sub-adviser to management investment companies, having aggregate assets of \$10.8 billion under management as of June 30, 2003. Gabelli Fixed Income LLC, an affiliate of the Investment Adviser, acts as investment adviser for The Treasurer's Fund and separate accounts having aggregate assets of \$1.2 billion under management as of June 30, 2003. Gabelli Advisors, Inc., an affiliate of the Investment Adviser, acts as investment manager to the Gabelli Westwood Funds, having aggregate assets of \$493 million under management as of June 30, 2003. B-19 The Investment Adviser is a wholly-owned subsidiary of Gabelli Asset Management Inc., a New York corporation, whose Class A Common Stock is traded on the NYSE under the symbol "GBL." Mr. Mario J. Gabelli may be deemed a "controlling person" of the Investment Adviser on the basis of his ownership of a majority of the stock of the Gabelli Group Capital Partners, Inc., which owns a majority of the capital stock of Gabelli Asset Management Inc. Under the terms of the Advisory Agreement, the Investment Adviser manages the portfolio of the Fund in accordance with its stated investment objectives and policies, makes investment decisions for the Fund, places orders to purchase and sell securities on behalf of the Fund and manages the Fund's other business and affairs, all subject to the supervision and direction of the Fund's Board of Directors. In addition, under the Advisory Agreement, the Investment Adviser oversees the administration of all aspects of the Fund's business and affairs and provides, or arranges for others to provide, at the Investment Adviser's expense, certain enumerated services, including maintaining the Fund's books and records, preparing reports to the Fund's stockholders and supervising the calculation of the net asset value of its stock. All expenses of computing the net asset value of the Fund, including any equipment or services obtained solely for the purpose of pricing shares of stock or valuing the Fund's investment portfolio, will be an expense of the Fund under the Advisory Agreement unless the Investment Adviser voluntarily assumes responsibility for such expense. The Advisory Agreement combines investment advisory and administrative responsibilities in one agreement. For services rendered by the Investment Adviser on behalf of the Fund under the Advisory Agreement, the Fund pays the Investment Adviser a fee computed daily and paid monthly at the annual rate of 1.00% of the average weekly net assets of the Fund. Notwithstanding the foregoing, the Investment Adviser has voluntarily agreed, with respect to each series of its outstanding preferred stock and the Series D Preferred and Series E Auction Rate Preferred, to waive the portion of its investment advisory fee attributable to an amount of assets of the Fund equal to the aggregate stated value of each such series for any calendar year in which the net asset value total return of the Fund allocable to the common stock, including distributions and the advisory fee subject to potential waiver, is less than (i) in the case of the Fund's fixed rate preferred stock, the stated annual dividend rate of such series and (ii) in the case of the Fund's auction rate preferred stock, the net cost of capital to the Fund with respect to such series for such year expressed as a percentage (including, without duplication, dividends paid by the Fund on such series and the net cost to the Fund of any associated swap or cap transaction if the Fund hedges its dividend obligations). This waiver will apply to the portion of the Fund's assets attributable to each such series of preferred stock for so long as any shares of such series remain outstanding. The Fund has voluntarily agreed to similar waivers with respect to its outstanding Series B Preferred and Series C Auction Rate Preferred. The Advisory Agreement provides that in the absence of willful misfeasance, bad faith, gross negligence or reckless disregard for its obligations and duties thereunder, the Investment Adviser is not liable for any error or judgment or mistake of law or for any loss suffered by the Fund. As part of the Advisory Agreement, the Fund has agreed that the name "Gabelli" is the Investment Adviser's property, and that in the event the Investment Adviser ceases to act as an investment adviser to the Fund, the Fund will change its name to one not including "Gabelli." Pursuant to its terms, the Advisory Agreement will remain in effect with respect to the Fund until the second anniversary its initial approval

by the Fund's stockholders, and from year to year thereafter if approved annually (i) by the Fund's Board of Directors or by the holders of a majority of the Fund's outstanding voting securities and (ii) by a majority of the Directors who are not "interested persons" (as defined in the 1940 Act) of any party to the Advisory Agreement, by vote cast in person at a meeting called for the purpose of voting on such approval. The Advisory Agreement was initially approved by the B-20 Board of Directors at a meeting held on July 17, 1986 and was approved most recently by the Board of Directors on May 14, 2003. In considering whether to approve the Advisory Agreement, the Fund's non-interested Directors considered, among other factors, (i) the services provided to the Fund by the Investment Adviser and the sub-administrator, (ii) the Fund's absolute and comparative investment performance, (iii) the Fund's fee and expense data as compared to a peer group of closed-end equity funds in the same asset range as the Fund and (iv) the Investment Adviser's profitability with respect to its management of the Fund. The non-interested Directors indicated that the primary factors in their determination to approve the Advisory Agreement were the level of the Fund's advisory fee rate and actual expenses borne by the Fund, the high quality of service provided by the Investment Adviser, based in large part upon the experience of the Fund's portfolio manager, and the Fund's absolute and comparative investment performance within its peer group. The Advisory Agreement terminates automatically on its assignment and may be terminated without penalty on 60 days written notice at the option of either party thereto or by a vote of a majority (as defined in the 1940 Act) of the Fund's outstanding stock. For each of the years ended December 31, 2000, December 31, 2001 and December 31, 2002, the Investment Adviser was paid \$13,085,773, \$12,063,874, \$9,835,224, and respectively, for advisory and administrative services rendered to the Fund.

PORTFOLIO TRANSACTIONS Subject to policies established by the Board of Directors of the Fund, the Investment Adviser is responsible for placing purchase and sale orders and the allocation of brokerage on behalf of the Fund. Transactions in equity securities are in most cases effected on U.S. stock exchanges and involve the payment of negotiated brokerage commissions. In general, there may be no stated commission in the case of securities traded in over-the-counter markets, but the prices of those securities may include undisclosed commissions or mark-ups. Principal transactions are not entered into with affiliates of the Fund. However, Gabelli & Company, Inc. may execute transactions in the over-the-counter markets on an agency basis and receive a stated commission therefrom. To the extent consistent with applicable provisions of the 1940 Act and the rules and exemptions adopted by the SEC thereunder, as well as other regulatory requirements, the Fund's Board of Directors have determined that portfolio transactions may be executed through Gabelli & Company, Inc. and its broker-dealer affiliates if, in the judgment of the Investment Adviser, the use of those broker-dealers is likely to result in price and execution at least as favorable as those of other qualified broker-dealers, and if, in particular transactions, those broker-dealers charge the Fund a rate consistent with that charged to comparable unaffiliated customers in similar transactions. The Fund has no obligations to deal with any broker or group of brokers in executing transactions in portfolio securities. In executing transactions, the Investment Adviser seeks to obtain the best price and execution for the Fund, taking into account such factors as price, size of order, difficulty of execution and operational facilities of the firm involved and the firm's risk in positioning a block of securities. While the Investment Adviser generally seeks reasonably competitive commission rates, the Fund does not necessarily pay the lowest commission available. B-21 Subject to obtaining the best price and execution, brokers who provide supplemental research, market and statistical information to the Investment Adviser or its affiliates may receive orders for transactions by the Fund. The term "research, market and statistical information" includes advice as to the value of securities, and advisability of investing in, purchasing or selling securities, and the availability of securities or purchasers or sellers of securities, and furnishing analyses and reports concerning issues, industries, securities, economic factors and trends, portfolio strategy and the performance of accounts. Information so received will be in addition to and not in lieu of the services required to be performed by the Investment Adviser under the Advisory Agreement and the expenses of the Investment Adviser will not necessarily be reduced as a result of the receipt of such supplemental information. Such information may be useful to the Investment Adviser and its affiliates in providing services to clients other than the Fund, and not all such information is used by the Investment Adviser in connection with the Fund. Conversely, such information provided to the Investment Adviser and its affiliates by brokers and dealers through whom other clients of the Investment Adviser and its affiliates effect securities transactions may be useful to the Investment Adviser in providing services to the Fund. Although investment decisions for the Fund are made independently from those of the other accounts managed by the Investment Adviser and its affiliates, investments of the kind made by the Fund may also be made by those other accounts. When the same securities are purchased for or sold by the Fund and any of such other accounts, it is the

policy of the Investment Adviser and its affiliates to allocate such purchases and sales in the manner deemed fair and equitable to all of the accounts, including the Fund. For the fiscal years ended December 31, 2000, December 31, 2001 and December 31, 2002, the Fund paid a total of \$845,483, \$987,659 and \$487,920, respectively, in brokerage commissions, of which Gabelli & Company, Inc. and its affiliates received \$586,533, \$664,606, and \$337,437, respectively. The amount received by Gabelli & Company, Inc. and its affiliates from the Fund in respect of brokerage commissions for the fiscal year ended December 31, 2002 represented approximately 69.16% of the aggregate dollar amount of brokerage commissions paid by the Fund for such period and approximately 35.92% of the aggregate dollar amount of transactions by the Fund for such period. The variance between the percentage of brokerage commissions received by Gabelli & Company, Inc. and the percentage of transactions executed by Gabelli & Company, Inc. reflects a series of block trades conducted at the end of the year through an unaffiliated broker-dealer at below market fixed rates to facilitate year-end capital gains by the Fund.

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

B-22 When the Fund repurchases its common stock for a price below net asset value, the net asset value of the common stock that remains outstanding will be enhanced, but this does not necessarily mean that the market price of the outstanding common stock will be affected, either positively or negatively.

PORTFOLIO TURNOVER The portfolio turnover rates of the Fund for the fiscal years ending December 31, 2002, December 31, 2001 and December 31, 2000 were 27.1%, 23.9% and 32.1%, respectively. Portfolio turnover rate is calculated by dividing the lesser of an investment company's annual sales or purchases of portfolio securities by the monthly average value of securities in its portfolio during the year, excluding portfolio securities the maturities of which at the time of acquisition were one year or less. A high rate of portfolio turnover involves correspondingly greater brokerage commission expense than a lower rate, which expense must be borne by the Fund and indirectly by its stockholders, as applicable. A higher rate of portfolio turnover may also result in greater taxable gains being passed to stockholders than would otherwise be the case.

AUTOMATIC DIVIDEND REINVESTMENT AND VOLUNTARY CASH PURCHASE PLAN Under the Fund's Automatic Dividend Reinvestment and Voluntary Cash Purchase Plan (the "Plan"), a stockholder whose shares of the Fund's common stock is registered in his own name will have all distributions reinvested automatically by EquiServe, which is agent under the Plan, unless the stockholder elects to receive cash. Distributions with respect to shares registered in the name of a broker-dealer or other nominee (that is, in "street name") will be reinvested by the broker or nominee in additional shares under the Plan, unless the service is not provided by the broker or nominee or the stockholder elects to receive distributions in cash. Investors who own common stock registered in street name should consult their broker-dealers for details regarding reinvestment. All distributions to investors who do not participate in the Plan will be paid by check mailed directly to the record holder by EquiServe as dividend disbursing agent. Under the Plan, whenever the market price of the common stock is equal to or exceeds net asset value at the time shares are valued for purposes of determining the number of shares equivalent to the cash dividend or capital gains distribution, participants in the Plan are issued shares of common stock, valued at the greater of (i) the net asset value as most recently determined or (ii) 95% of the then-current market price of the common stock. The valuation date is the dividend or distribution payment date or, if that date is not a NYSE trading day, the next preceding trading day. If the net asset value of the common stock at the time of valuation exceeds the market price of the common stock, participants will receive shares from the Fund, valued at market price. If the Fund should declare a dividend or capital gains distribution payable only in cash, EquiServe will buy the common stock for such Plan in the open market, on the NYSE or elsewhere, for the participants' accounts, except that EquiServe will endeavor to terminate purchases in the open market and cause the Fund to issue shares at the greater of net asset value or 95% or market value if, following

the commencement of such purchases, the market value of the common stock exceeds net asset value. Participants in the Plan have the option of making additional cash payments to EquiServe, monthly, for investment in the shares as applicable. Such payments may be made in any amount from \$250 to \$10,000. EquiServe will use all funds received from participants to purchase shares of the Fund B-23 in the open market on or about the 15th of each month. EquiServe will charge each stockholder who participates \$0.75, plus a pro rata share of the brokerage commissions. Brokerage charges for such purchases are expected to be less than the usual brokerage charge for such transactions. It is suggested that participants send voluntary cash payments to EquiServe in a manner that ensures that EquiServe will receive these payments approximately 10 days before the 15th of the month. A participant may without charge withdraw a voluntary cash payment by written notice, if the notice is received by EquiServe at least 48 hours before such payment is to be invested. EquiServe maintains all stockholder accounts in the Plan and furnishes written confirmations of all transactions in the account, including information needed by stockholders for personal and tax records. Shares in the account of each Plan participant will be held by EquiServe in noncertificated form in the name of the participant. A Plan participant may send its share certificates to EquiServe so that the shares represented by such certificates will be held by EquiServe in the participant's stockholder account under the Plan. In the case of stockholders such as banks, brokers or nominees, which hold shares for others who are the beneficial owners, EquiServe will administer the Plan on the basis of the number of shares certified from time to time by the stockholder as representing the total amount registered in the stockholder's name and held for the account of beneficial owners who participate in the Plan. Experience under the Plan may indicate that changes are desirable. Accordingly, the Fund reserves the right to amend or terminate its Plan as applied to any voluntary cash payments made and any dividend or distribution paid subsequent to written notice of the change sent to the members of such Plan at least 90 days before the record date for such dividend or distribution. The Plan also may be amended or terminated by EquiServe on at least 90 days written notice to the participants in such Plan. All correspondence concerning the Plan should be directed to EquiServe at P.O. Box 43025, Providence, RI 02940-3025.

TAXATION The following discussion is a brief summary of certain United States federal income tax considerations affecting the Fund and its stockholders. No attempt is made to present a detailed explanation of all federal, state, local and foreign tax concerns affecting the Fund and its stockholders (including stockholders owning a large position in the Fund), and the discussions set forth here and in the Prospectus do not constitute tax advice. Investors are urged to consult their own tax advisers with any specific questions relating to federal, state, local and foreign taxes. The discussion reflects applicable tax laws of the United States as of the date of this SAI, which tax laws may be changed or subject to new interpretations by the courts or the Internal Revenue Service (the "IRS") retroactively or prospectively.

Taxation of the Fund The Fund has qualified as and intends to continue to qualify as a regulated investment company (a "RIC") under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"). If it so qualifies, the Fund will not be subject to U.S. federal income tax on the portion of its investment company taxable income (as defined in the Code) without regard to the deduction for dividends paid and on its net capital gain (i.e., the excess of its net realized long-term capital gain over its net realized short-term capital loss), if any, which it distributes to its stockholders in each taxable year, provided that an amount equal to B-24 at least 90% of the sum of its investment company taxable income and any net tax-exempt interest income for the taxable year is distributed to its stockholders. Qualification as a RIC requires, among other things, that the Fund: (i) derive at least 90% of its gross income in each taxable year from dividends, interest, payments with respect to securities loans, gains from the sale or other disposition of stock, securities or foreign currencies or other income (including gains from options, futures or forward contracts) derived with respect to its business of investing in stock, securities or currencies and (ii) diversify its holdings so that, at the end of each quarter of each taxable year, subject to certain exceptions, (a) at least 50% of the market value of the Fund's assets is represented by cash, cash items, U.S. Government Obligations, securities of other RICs and other securities with such other securities limited, in respect of any one issuer, to an amount not greater than 5% of the value of the Fund's assets and 10% of the outstanding voting securities of such issuer, and (b) not more than 25% of the value of its assets is invested in the securities (other than U.S. Government Obligations or the securities of other RICs) of any one issuer or any two or more issuers that the Fund controls and which are determined to be engaged in the same or similar trades or businesses or related trades or businesses. If the Fund were unable to satisfy the 90% distribution requirement or otherwise were to fail to qualify as a RIC in any year, it would be taxed in the same manner as an ordinary corporation and distributions to the Fund's stockholders would not be deductible by the Fund in computing its taxable income. To qualify again to be taxed as a RIC in a subsequent year, the Fund would be required to distribute to preferred

stockholders and common stockholders its earnings and profits attributable to non-RIC years reduced by an interest charge on 50% of such earnings and profits payable by the Fund to the IRS. In addition, if the Fund failed to qualify as a RIC for a period greater than one taxable year, then the Fund would be required to recognize and pay tax on any net built-in gains (the excess of aggregate gains, including items of income, over aggregate losses that would have been realized if the Fund had been liquidated) or, alternatively, to elect to be subject to taxation on such built-in gains recognized for a period of ten years, in order to qualify as a RIC in a subsequent year. Under the Code, amounts not distributed by a RIC on a timely basis in accordance with a calendar year distribution requirement are subject to a 4% excise tax. To avoid the tax, the Fund must distribute during each calendar year, an amount at least equal to the sum of (i) 98% of its ordinary income for the calendar year, (ii) 98% of its capital gain net income (both long-term and short-term) for the one year period ending on October 31 of such year (unless an election is made to use the Fund's fiscal year), and (iii) all ordinary income and capital gain net income for previous years that were not previously distributed or subject to tax under Subchapter M of the Code. A distribution will be treated as paid during the calendar year if it is paid during the calendar year or declared by the Fund in October, November or December of the year, payable to stockholders of record on a date during such a month and paid by the Fund during January of the following year. Any such distributions paid during January of the following year will be deemed to be received on December 31 of the year the distributions are declared, rather than when the distributions are received. While the Fund intends to distribute its ordinary income and capital gain net income in the manner necessary to minimize imposition of the 4% excise tax, there can be no assurance that sufficient amounts of the Fund's ordinary income and capital gain net income will be distributed to avoid entirely the imposition of the tax. In such event, the Fund will be liable for the tax only on the amount by which it does not meet the foregoing distribution requirements. Gain or loss on the sales of securities by the Fund will be long-term capital gain or loss if the securities have been held by the Fund for more than one year. Gain or loss on the sale of securities held for one year or less will be short-term capital gain or loss. B-25 Foreign currency gain or loss on non-U.S. dollar denominated bonds and other similar debt instruments and on any non-U.S. dollar denominated futures contracts, options and forward contracts that are not section 1256 contracts (as defined below) generally will be treated as ordinary income and loss. Investment by the Fund in certain "passive foreign investment companies" ("PFICs") could subject the Fund to federal income tax (including interest charges) on certain distributions or dispositions with respect to those investments which cannot be eliminated by making distributions to stockholders. Elections may be available to the Fund to mitigate the effect of this tax but such elections generally accelerate the recognition of income without the receipt of cash. Dividends paid by PFICs will not qualify for the reduced tax rates discussed below under "Taxation of Stockholders." The Fund may invest in debt obligations purchased at a discount with the result that the Fund may be required to accrue income for federal income tax purposes before amounts due under the obligations are paid. The Fund may also invest in securities rated in the medium to lower rating categories of nationally recognized rating organizations, and in unrated securities ("high yield securities"). A portion of the interest payments on such high yield securities may be treated as dividends for federal income tax purposes. As a result of investing in stock of PFICs or securities purchased at a discount or any other investment that produces income that is not matched by a corresponding cash distribution to the Fund, the Fund could be required to include, in current income, income it has not yet received. Any such income would be treated as income earned by the Fund and therefore would be subject to the distribution requirements of the Code. This might prevent the Fund from distributing 90% of its investment company taxable income as is required in order to avoid Fund-level federal income taxation on all of its income, or might prevent the Fund from distributing enough ordinary income and capital gain net income to avoid completely the imposition of the excise tax. To avoid this result, the Fund may be required to borrow money or dispose of other securities to be able to make distributions to its stockholders. If the Fund does not meet the asset coverage requirements of the 1940 Act and the Articles Supplementary, the Fund will be required to suspend distributions to the holders of the common stock until the asset coverage is restored. Such a suspension of distributions might prevent the Fund from distributing 90% of its investment company taxable income as is required in order to avoid Fund-level federal income taxation on all of its income, or might prevent the Fund from distributing enough income and capital gain net income to avoid completely imposition of the excise tax. Upon any failure to meet the asset coverage requirements of the 1940 Act or the Articles Supplementary, the Fund may, and in certain circumstances will be required to partially redeem shares of Preferred Stock in order to restore the requisite asset coverage and avoid the adverse consequences to the Fund and its stockholders of failing to qualify as a RIC. If asset coverage were restored, the Fund would again be able to pay dividends and would generally be able to avoid

Fund-level federal income taxation on the income that it distributes. Hedging Transactions Certain options, futures contracts and options on futures contracts are "section 1256 contracts." Any gains or losses on section 1256 contracts are generally considered 60% long-term and 40% short-term capital gains or losses ("60/40"). Also, section 1256 contracts held by the Fund at the end of each taxable year are "marked-to-market" with the result that unrealized gains or losses are treated as though they were realized and the resulting gain or loss is treated as 60/40 gain or loss. B-26 Hedging transactions undertaken by the Fund may result in "straddles" for federal income tax purposes. The straddle rules may affect the character of gains (or losses) realized by the Fund. In addition, losses realized by the Fund on positions that are part of a straddle may be deferred under the straddle rules, rather than being taken into account in calculating the taxable income for the taxable year in which such losses are realized. Further, the Fund may be required to capitalize, rather than deduct currently, any interest expense on indebtedness incurred or continued to purchase or carry any positions that are part of a straddle. The Fund may make one or more of the elections available under the Code which are applicable to straddles. If the Fund makes any of the elections, the amount, character and timing of the recognition of gains or losses from the affected straddle positions may be determined under rules that vary according to the election(s) made. The rules applicable under certain of the elections accelerate the recognition of gain or loss from the affected straddle positions. Because application of the straddle rules may affect the character and timing of the Fund's gains, losses and deductions, the amount which must be distributed to stockholders, and which will be taxed to stockholders as ordinary income or long-term capital gain, may be increased or decreased substantially as compared to a fund that did not engage in such hedging transactions. Foreign Taxes Since the Fund may invest in foreign securities, its income from such securities may be subject to non-U.S. taxes. The Fund will not be eligible to elect to "pass-through" to stockholders of the Fund the ability to use the foreign tax deduction or foreign tax credit for foreign taxes paid with respect to qualifying taxes. Taxation of Stockholders The Fund will determine either to distribute or to retain for reinvestment all or part of its net capital gain. If any such gains are retained, the Fund will be subject to a tax of 35% of such amount. In that event, the Fund expects to designate the retained amount as undistributed capital gains in a notice to its stockholders, each of whom (i) will be required to include in income for tax purposes as long-term capital gains its share of such undistributed amounts, (ii) will be entitled to credit its proportionate share of the tax paid by the Fund against its federal income tax liability and to claim refunds to the extent that the credit exceeds such liability and (iii) will increase its basis in its shares of the Fund by an amount equal to 65% of the amount of undistributed capital gains included in such stockholder's gross income. Distributions paid by the Fund from its net investment income or from an excess of net short-term capital gains over net-long term capital losses generally are taxable as ordinary income to the extent of the Fund's earnings and profits. Such distributions (if designated by the Fund) may, however, qualify (provided holding period and other requirements are met at the Fund and stockholder level) (i) for the dividends received deduction available to corporations, but only to the extent that the Fund's income consists of dividends received from U.S. corporations and (ii) under the recently enacted Jobs and Growth Tax Relief Reconciliation Act of 2003 (effective for taxable years after December 31, 2002 through December 31, 2008) ("2003 Tax Act"), as qualified dividend income eligible for the reduced maximum rate to individuals of generally 15% (5% for individuals in lower tax brackets) to the extent that the Fund receives qualified dividend income. Qualified dividend income is, in general, dividend income from taxable domestic corporations and certain foreign corporations (e.g., generally, foreign corporations incorporated in a possession of the United States or in certain countries with a comprehensive tax treaty B-27 with the United States, or the stock of which is readily tradable on an established securities market in the United States). Distributions of net capital gain designated as capital gain dividends, if any, are taxable to stockholders at rates applicable to long-term capital gains regardless of how long the stockholder has held shares of the Fund's stock, and are not eligible for the dividends received deduction. Under the 2003 Tax Act, the tax rate on net long-term capital gain of individuals is reduced generally from 20% to 15% (5% for individuals in lower brackets) for such gain realized after May 6, 2003 and before January 1, 2009. Distributions in excess of the Fund's earnings and profits will first reduce the adjusted tax basis of a holder's shares and, after such adjusted tax basis is reduced to zero, will constitute capital gain to such holder (assuming the stock is held as a capital asset). For non-corporate taxpayers, under the 2003 Tax Act, investment company taxable income (other than qualified dividend income) will currently be taxed at a maximum rate of 35%. For corporate taxpayers, both investment company taxable income and net capital gain are taxed at a maximum rate of 35%. Stockholders may be entitled to offset their capital gain dividends with capital losses. There are a number of statutory provisions affecting when capital losses may be offset against capital gains, and limiting the use of losses from certain

investments and activities. Accordingly, stockholders with capital losses are urged to consult their tax advisers. The price of stock purchased at any time may reflect the amount of a forthcoming distribution. Those purchasing stock just prior to a distribution will receive a distribution which will be taxable to them even though it represents in part a return of invested capital. Upon a sale or exchange of stock, a stockholder will realize a taxable gain or loss depending upon his or her basis in the stock. Such gain or loss will be treated as long-term capital gain or loss if the stock has been held for more than one year. Any loss realized on a sale or exchange will be disallowed to the extent the stock disposed of is replaced within a 61-day period beginning 30 days before and ending 30 days after the date that the stock is disposed of. In such a case, the basis of the stock acquired will be adjusted to reflect the disallowed loss. Any loss realized by a stockholder on the sale of Fund stock held by the stockholder for six months or less will be treated for tax purposes as a long-term capital loss to the extent of any capital gain dividends received by the stockholder (or amounts credited to the stockholder as an undistributed capital gain) with respect to such stock. Ordinary income dividends (but not capital gain dividends) paid to stockholders who are non-resident aliens or foreign entities will be subject to a 30% United States withholding tax under existing provisions of the Code applicable to foreign individuals and entities, unless a reduced rate of withholding or a withholding exemption is provided under applicable treaty law. Non-resident stockholders are urged to consult their own tax advisers concerning the applicability of the United States withholding tax. Based in part on a lack of present intention on the part of the Fund to voluntarily redeem the Series E Auction Rate Preferred at any time in the future, the Fund intends to take the position that under present law the Series E Auction Rate Preferred will constitute stock, rather than debt of the Fund. It is possible, however, that the IRS could take a contrary position asserting, for example, that the Series E Auction Rate Preferred constitute debt of the Fund. If that position were upheld, distributions on the Series E Auction Rate Preferred would be considered interest, taxable as ordinary income regardless of the taxable income of the Fund. The Fund believes this position, if asserted, would be unlikely to prevail. B-28 The IRS has taken the position that if a RIC has two classes of stock, it may designate distributions made to each class in any year as consisting of no more than such class's proportionate share of particular types of income, such as long-term capital gain. A class's proportionate share of a particular type of income is determined according to the percentage of total dividends paid by the RIC during such year that was paid to such class. Consequently, the Fund will designate distributions made to the common stockholders and preferred stockholders as consisting of particular types of income in accordance with the classes' proportionate shares of such income. Because of this rule, the Fund is required to allocate a portion of its net capital gain, qualified dividend income and dividends qualifying for the dividends received deduction to common stockholders and preferred stockholders. The amount of net capital gain, qualified dividend income and dividends qualifying for the dividends received deduction allocable between the common stockholders and the preferred stockholders will depend upon the amount of such net capital gain, qualified dividend income and dividends qualifying for the dividends received deduction realized by the Fund, and the total dividends paid by the Fund on the Common Stock and Preferred Stock during a taxable year. Ordinary income dividends and capital gain dividends also may be subject to state and local taxes. Stockholders are urged to consult their own tax advisers regarding specific questions about the U.S. federal (including the application of the alternative minimum tax rules), state, local or foreign tax consequences to them of investing in the Fund. Backup Withholding The Fund may be required to withhold federal income tax on all taxable distributions and redemption proceeds payable to non-corporate stockholders who fail to provide the Fund with their correct taxpayer identification number or to make required certifications, or who have been notified by the IRS that they are subject to backup withholding. Backup withholding is not an additional tax. Any amounts withheld may be refunded or credited against such stockholder's federal income tax liability, if any, provided that the required information is furnished to the IRS. The foregoing is a general and abbreviated summary of the applicable provisions of the Code and Treasury regulations presently in effect. For the complete provisions, reference should be made to the pertinent Code sections and the Treasury regulations promulgated thereunder. The Code and the Treasury regulations are subject to change by legislative, judicial or administrative action, either prospectively or retroactively. Persons considering an investment in Series D Preferred or Series E Auction Rate Preferred should consult their own tax advisers regarding the purchase, ownership and disposition of Series D Preferred or Series E Auction Rate Preferred.

ADDITIONAL INFORMATION CONCERNING AUCTIONS FOR SERIES E AUCTION RATE PREFERRED

General The Articles Supplementary provide that the Applicable Rate for each Dividend Period of the Series E Auction Rate Preferred will be equal to the rate per annum that the Auction Agent advises has resulted on the Business Day preceding the first day of a Dividend Period (an "Auction Date") from implementation of the Auction

Procedures set forth in the Articles Supplementary, and summarized below, in which persons determine to hold or offer to sell or, based on dividend rates bid by them, offer to purchase or sell stock of such Series. Each periodic implementation of the Auction Procedures is referred to herein as an "Auction." The following summary is qualified by reference to the Auction Procedures set forth in the Articles Supplementary. Auction Agency Agreement. The Fund has entered into an Auction Agency Agreement (the "Auction Agency Agreement") with the Auction Agent (currently, The Bank of New York), which provides, among other things, that the Auction Agent will follow the Auction Procedures for purposes of determining the Applicable Rate for Series E Auction Rate Preferred so long as the Applicable Rate is to be based on the results of the Auction. Broker-Dealer Agreements. Each Auction requires the participation of one or more Broker-Dealers. The Auction Agent has entered into agreements (collectively, the "Broker-Dealer Agreements") with several Broker-Dealers selected by the Fund, which provide for the participation of those Broker-Dealers in Auctions for Series E Auction Rate Preferred. See "Broker-Dealers" below. Securities Depository. DTC will act as the Securities Depository for the Agent Members with respect to the Series E Auction Rate Preferred. One certificate for all of the shares of Series E Auction Rate Preferred will be registered in the name of Cede & Co., as nominee of the Securities Depository. Such certificate will bear a legend to the effect that such certificate is issued subject to the provisions restricting transfers of Series E Auction Rate Preferred contained in the Articles Supplementary. The Fund will also issue stop-transfer instructions to the transfer agent for the Series E Auction Rate Preferred. Prior to the commencement of the right of Holders of the Preferred Stock to elect a majority of the Fund's Directors, as described under "Description of the Series D Preferred and Series E Auction Rate Preferred -- Voting Rights" in the Prospectus, Cede & Co. will be the Holder of all the Series E Auction Rate Preferred and owners of such shares will not be entitled to receive certificates representing their ownership interest in such shares. DTC, a New York chartered limited purpose trust company, performs services for its participants (including Agent Members), some of whom (and/or their representatives) own DTC. DTC maintains lists of its participants and will maintain the positions (ownership interests) held by each such Agent Member in Series E Auction Rate Preferred, whether for its own account or as a nominee for another person. Orders by Existing Holders and Potential Holders On or prior to the Submission Deadline on each Auction Date for the Series E Auction Rate Preferred: (i) each Beneficial Owner of Series E Auction Rate Preferred may submit to its Broker-Dealer by telephone or otherwise a: (a) "Hold Order" - indicating the number of Outstanding shares of Series E Auction Rate Preferred, if any, that such Beneficial Owner desires to continue to hold without regard to the Applicable Rate for such shares for the next succeeding Dividend Period of such shares; (b) "Bid" - indicating the number of Outstanding shares of Series E Auction Rate Preferred, if any, that such Beneficial Owner offers to sell if the Applicable Rate for such Series E Auction Rate Preferred for the next succeeding Dividend Period is less than the rate per annum specified by such Beneficial Owner in such Bid; and/or B-30 (c) "Sell Order" - indicating the number of Outstanding shares of Series E Auction Rate Preferred, if any, that such Beneficial Owner offers to sell without regard to the Applicable Rate for such Series E Auction Rate Preferred for the next succeeding Dividend Period; and (ii) Broker-Dealers will contact customers who are Potential Beneficial Owners by telephone or otherwise to determine whether such customers desire to submit Bids, in which case they will indicate the number of shares of Series E Auction Rate Preferred that they offer to purchase if the Applicable Rate for Series E Auction Rate Preferred for the next succeeding Dividend Period is not less than the rate per annum specified in such Bids. The communication to a Broker-Dealer of the foregoing information is herein referred to as an "Order" and collectively as "Orders." A Beneficial Owner or a Potential Beneficial Owner placing an Order with its Broker-Dealer is herein referred to as a "Bidder" and collectively as "Bidders." The submission by a Broker-Dealer of an Order to the Auction Agent is referred to herein as an "Order" and collectively as "Orders," and an Existing Holder or Potential Holder who places an Order with the Auction Agent or on whose behalf an Order is placed with the Auction Agent is referred to herein as a "Bidder" and collectively as "Bidders." A Bid placed by a Beneficial Owner specifying a rate higher than the Applicable Rate determined in the Auction will constitute an irrevocable offer to sell the shares subject thereto. A Beneficial Owner that submits a Bid to its Broker-Dealer having a rate higher than the Maximum Rate on the Auction Date thereof will be treated as having submitted a Sell Order to its Broker-Dealer. A Sell Order will constitute an irrevocable offer to sell Series E Auction Rate Preferred subject thereto at a price per share equal to \$25,000. A Beneficial Owner that fails to submit to its Broker-Dealer prior to the Submission Deadline for the Series E Auction Rate Preferred an Order or Orders covering all the Outstanding Series E Auction Rate Preferred held by such Beneficial Owner will be deemed to have submitted a Hold Order to its Broker-Dealer covering the number of Outstanding Series E Auction Rate Preferred shares held by such Beneficial

Owner and not subject to Orders submitted to its Broker-Dealer; provided, however, that if a Beneficial Owner fails to submit to its Broker-Dealer prior to the Submission Deadline for the Series E Auction Rate Preferred an Order or Orders covering all of the Outstanding Series E Auction Rate Preferred held by such Beneficial Owner for an Auction relating to a Special Dividend Period consisting of more than 28 Dividend Period days, such Beneficial Owner will be deemed to have submitted a Sell Order to its Broker-Dealer covering the number of Outstanding shares of Series E Auction Rate Preferred held by such Beneficial Owner and not subject to Orders submitted to its Broker-Dealer. A Potential Beneficial Owner of Series E Auction Rate Preferred may submit to its Broker-Dealer Bids in which it offers to purchase Series E Auction Rate Preferred if the Applicable Rate for the next Dividend Period is not less than the rate specified in such Bid. A Bid placed by a Potential Beneficial Owner specifying a rate not higher than the Maximum Rate will constitute an irrevocable offer to purchase the number of shares of Series E Auction Rate Preferred specified in such Bid if the rate determined in the Auction is equal to or greater than the rate specified in such Bid. A Beneficial Owner of Series E Auction Rate Preferred that offers to become the Beneficial Owner of additional Series E Auction Rate Preferred is, for purposes of such offer, a Potential Beneficial Owner. As described more fully below under "-- Orders by Existing Holders and Potential Holders," the Broker-Dealers will submit the Orders of their respective customers who are Beneficial Owners and B-31 Potential Beneficial Owners to the Auction Agent, designating themselves (unless otherwise permitted by the Fund) as Existing Holders in respect of Series E Auction Rate Preferred subject to Orders submitted or deemed submitted to them by Beneficial Owners and as Potential Holders in respect of Series E Auction Rate Preferred subject to Orders submitted to them by Potential Beneficial Owners. However, neither the Fund nor the Auction Agent will be responsible for a Broker-Dealer's failure to comply with the foregoing. Any Order placed with the Auction Agent by a Broker-Dealer as or on behalf of an Existing Holder or a Potential Holder will be treated in the same manner as an Order placed with a Broker-Dealer by a Beneficial Owner or a Potential Beneficial Owner, as described above. Similarly, any failure by a Broker-Dealer to submit to the Auction Agent an Order in respect of any Series E Auction Rate Preferred held by it or its customers who are Beneficial Owners will be treated in the same manner as a Beneficial Owner's failure to submit to its Broker-Dealer an Order in respect of Series E Auction Rate Preferred held by it, as described in the second preceding paragraph. For information concerning the priority given to different types of Orders placed by Existing Holders, see "-- Orders by Existing Holders and Potential Holders" below. The Fund may not submit an Order in any Auction. The Auction Procedures include a pro rata allocation of stock for purchase and sale, which may result in an Existing Holder continuing to hold or selling, or a Potential Holder purchasing, a number of shares of Series E Auction Rate Preferred that is fewer than the number of shares of Series E Auction Rate Preferred specified in its Order. See "-- Acceptance and Rejection of Submitted Bids and Submitted Sell Orders and Allocation of Shares" below. To the extent the allocation procedures have that result, Broker-Dealers that have designated themselves as Existing Holders or Potential Holders in respect of customer Orders will be required to make appropriate pro rata allocations among their respective customers. Each purchase or sale will be made for settlement on the Business Day next succeeding the Auction Date at a price per share equal to \$25,000. See "-- Notification of Results; Settlement" below. As described above, any Bid specifying a rate higher than the Maximum Rate will (i) be treated as a Sell Order if submitted by a Beneficial Owner or an Existing Holder and (ii) not be accepted if submitted by a Potential Beneficial Owner or a Potential Holder. Accordingly, the Auction Procedures establish the Maximum Rate as a maximum rate per annum that can result from an Auction up to the Maximum Rate. See "Determination of Sufficient Clearing Bids, Winning Bid Rate and Applicable Rate" and "Acceptance and Rejection of Submitted Bids and Submitted Sell Orders and Allocation of Shares" below. Concerning the Auction Agent The Auction Agent is acting as agent for the Fund in connection with Auctions. In the absence of willful misconduct or gross negligence on its part, the Auction Agent will not be liable for any action taken, suffered, or omitted or for any error of judgment made by it in the performance of its duties under the Auction Agency Agreement and will not be liable for any error of judgment resulting from the use of or reliance on a source of information used in good faith unless the Auction Agent will have been grossly negligent with respect to a determination, calculation or declaration thereunder. The Auction Agent may rely upon, as evidence of the identities of the Existing Holders of Series E Auction Rate Preferred, the Auction Agent's registry of Existing Holders, the results of Auctions and notices from any Broker-Dealer (or other person, if permitted by the Fund) with respect to transfers described under "The Auction of Series E Auction Rate Preferred -- Secondary Market Trading and Transfer of Series E Auction Rate Preferred" in the Prospectus and notices from the Fund. The Auction B-32 Agent is not required to accept any such notice for an Auction unless it is received by the Auction Agent by 3:00 p.m.,

New York City time, on the Business Day preceding such Auction. The Auction Agent may terminate the Auction Agency Agreement upon written notice to the Fund on a date no earlier than 30 days after the date of delivery of such notice. If the Auction Agent should resign or for any reason its appointment is terminated during any period when the Series E Auction Rate Preferred are outstanding, the Fund will use its best efforts promptly thereafter to enter into an agreement with a successor Auction Agent containing substantially the same terms and conditions as the Auction Agency Agreement. The Fund may remove the Auction Agent, provided that prior to such removal, the Fund has entered into such an agreement in substantially the form of the Auction Agency Agreement with a successor Auction Agent. Broker-Dealers The Auction Agent after each Auction for Series E Auction Rate Preferred will pay to each Broker-Dealer, from funds provided by the Fund, a service charge equal to, in the case of any auction immediately preceding a dividend period of less than 365 days the product of (i) a fraction, the numerator of which is the number of days in such dividend period and the denominator of which is 365, times (ii) 1/4 of 1%, times (iii) \$25,000, times (iv) the aggregate number of shares of Series E Auction Rate Preferred placed by such Broker-Dealer at such auction or, in the case of any auction immediately preceding a dividend period of one year or longer, a percentage of the purchase price of the Series E Auction Rate Preferred placed by the Broker-Dealers at the auction agreed to by the Fund and the Broker-Dealers. For the purposes of the preceding sentence, Series E Auction Rate Preferred will be placed by a Broker-Dealer if such shares were (i) the subject of Hold Orders deemed to have been submitted to the Auction Agent by the Broker-Dealer and were acquired by such Broker-Dealer for its customers who are Beneficial Owners or (ii) the subject of an Order submitted by such Broker-Dealer that is (a) a Submitted Bid of an Existing Holder that resulted in such Existing Holder continuing to hold such shares as a result of the Auction, (b) a Submitted Bid of a Potential Holder that resulted in such Potential Holder purchasing such shares as a result of the Auction or (c) a valid Hold Order. The Fund may request the Auction Agent to terminate one or more Broker-Dealer Agreements at any time, provided that at least one Broker-Dealer Agreement is in effect after such termination. The Broker-Dealer Agreement provides that a Broker-Dealer may submit Orders in Auctions for its own account, unless the Fund notifies all Broker-Dealers that they may no longer do so, in which case Broker-Dealers may continue to submit Hold Orders and Sell Orders for their own accounts. If a Broker- Dealer submits an Order for its own account in any Auction, it might have an advantage over other Bidders because it would have knowledge of all Orders submitted by it in that Auction. Such Broker- Dealer, however, would not have knowledge of Orders submitted by other Broker-Dealers in that Auction. Orders by Existing Holders and Potential Holders Prior to 1:00 p.m., New York City time, on each Auction Date, or such other time on the Auction Date specified by the Auction Agent (i.e., the Submission Deadline), each Broker-Dealer will submit to the Auction Agent in writing all Orders obtained by it for the Auction to be conducted on such Auction Date, designating itself (unless otherwise permitted by the Fund) as the Existing Holder or Potential Holder, as the case may be, in respect of Series E Auction Rate Preferred subject to such Orders. Any Order submitted by a Beneficial Owner or a Potential Beneficial Owner to its Broker-Dealer, or by a B-33 Broker-Dealer to the Auction Agent, prior to the Submission Deadline on any Auction Date, will be irrevocable. If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent will round such rate to the next highest one-thousandth (0.001) of 1%. If one or more Orders of an Existing Holder is submitted to the Auction Agent covering in the aggregate more than the number of Outstanding shares of Series E Auction Rate Preferred subject to an Auction held by such Existing Holder, such Orders will be considered valid in the following order of priority: (i) all Hold Orders for Series E Auction Rate Preferred will be considered valid, but only up to and including in the aggregate the number of Outstanding shares of Series E Auction Rate Preferred held by such Existing Holder, and, if the number of shares of Series E Auction Rate Preferred subject to such Hold Orders exceeds the number of shares of Outstanding Series E Auction Rate Preferred held by such Existing Holder, the number of shares subject to each such Hold Order will be reduced pro rata to cover the number of Outstanding shares held by such Existing Holder; (ii) (a) any Bid for Series E Auction Rate Preferred will be considered valid up to and including the excess of the number of Outstanding shares of Series E Auction Rate Preferred held by such Existing Holder over the number of shares of Series E Auction Rate Preferred subject to any Hold Orders referred to in clause (i) above; (b) subject to subclause (a), if more than one Bid of an Existing Holder for Series E Auction Rate Preferred is submitted to the Auction Agent with the same rate and the number of Outstanding shares of Series E Auction Rate Preferred subject to such Bids is greater than such excess, such Bids will be considered valid up to and including the amount of such excess, and the number of shares of Series E Auction Rate Preferred subject to each Bid with the same rate will be reduced pro rata to cover the number of shares of Series E Auction Rate Preferred equal to such excess; (c) subject

to subclauses (a) and (b), if more than one Bid of an Existing Holder for Series E Auction Rate Preferred is submitted to the Auction Agent with different rates, such Bids will be considered valid in the ascending order of their respective rates up to and including the amount of such excess; and (d) in any such event, the number, if any, of such Outstanding shares of Series E Auction Rate Preferred subject to any portion of Bids considered not valid in whole or in part under this clause (ii) will be treated as the subject of a Bid for Series E Auction Rate Preferred by or on behalf of a Potential Holder at the rate specified therein; and (iii) all Sell Orders for Series E Auction Rate Preferred will be considered valid up to and including the excess of the number of Outstanding shares of Series E Auction Rate Preferred held by such Existing Holder over the sum of shares subject to valid Hold Orders referred to in clause (i) above and valid Bids referred to in clause (ii) above. B-34 If more than one Bid of a Potential Holder for Series E Auction Rate Preferred is submitted to the Auction Agent by or on behalf of any Potential Holder, each such Bid submitted will be a separate Bid with the rate and number of shares of Series E Auction Rate Preferred specified therein. Determination of Sufficient Clearing Bids, Winning Bid Rate and Applicable Rate Not earlier than the Submission Deadline on each Auction Date for Series E Auction Rate Preferred, the Auction Agent will assemble all valid Orders submitted or deemed submitted to it by the Broker-Dealers (each such Hold Order, Bid or Sell Order as submitted or deemed submitted by a Broker- Dealer being herein referred to as a "Submitted Hold Order," a "Submitted Bid" or a "Submitted Sell Order," as the case may be, or as a "Submitted Order" and collectively as "Submitted Hold Orders," "Submitted Bids" or "Submitted Sell Orders," as the case may be, or as "Submitted Orders") and will determine the excess of the number of Outstanding shares of Series E Auction Rate Preferred over the number of Outstanding shares of Series E Auction Rate Preferred subject to Submitted Hold Orders (such excess being herein referred to as the "Available Series E Auction Rate Preferred") and whether Sufficient Clearing Bids have been made in the Auction. "Sufficient Clearing Bids" will have been made if the number of Outstanding shares of Series E Auction Rate Preferred that are the subject of Submitted Bids of Potential Holders specifying rates not higher than the Maximum Rate equals or exceeds the number of Outstanding shares of Series E Auction Rate Preferred that are the subject of Submitted Sell Orders (including the number of shares of Series E Auction Rate Preferred subject to Bids of Existing Holders specifying rates higher than the Maximum Rate). If Sufficient Clearing Bids for Series E Auction Rate Preferred have been made, the Auction Agent will determine the lowest rate specified in such Submitted Bids (the Winning Bid Rate for shares of such Series) which, taking into account the rates in the Submitted Bids of Existing Holders, would result in Existing Holders continuing to hold an aggregate number of Outstanding Series E Auction Rate Preferred which, when added to the number of Outstanding Series E Auction Rate Preferred shares to be purchased by Potential Holders, based on the rates in their Submitted Bids, would equal not less than the Available Series E Auction Rate Preferred. In such event, the Winning Bid Rate will be the Applicable Rate for the next Dividend Period for all shares of such Series. If Sufficient Clearing Bids have not been made (other than because all of the Outstanding Series E Auction Rate Preferred is subject to Submitted Hold Orders), the Applicable Rate for the next Dividend Period for all Series E Auction Rate Preferred will be equal to the Maximum Rate. In such a case, Beneficial Owners that have submitted or that are deemed to have submitted Sell Orders may not be able to sell in the Auction all Series E Auction Rate Preferred subject to such Sell Orders but will continue to own Series E Auction Rate Preferred for the next Dividend Period. See "-- Acceptance and Rejection of Submitted Bids and Submitted Sell Orders and Allocation of Shares" below. If all of the Outstanding Series E Auction Rate Preferred is subject to Submitted Hold Orders, the Applicable Rate for all Series E Auction Rate Preferred for the next succeeding Dividend Period will be the All Hold Rate. Acceptance and Rejection of Submitted Bids and Submitted Sell Orders and Allocation of Shares Based on the determinations made under " - Determination of Sufficient Clearing Bids, Winning Bid Rate and Applicable Rate" above and, subject to the discretion of the Auction Agent to round and allocate certain shares as described below, Submitted Bids and Submitted Sell Orders will be accepted or rejected in the order of priority set forth in the Auction Procedures, with the result that Existing Holders B-35 and Potential Holders of Series E Auction Rate Preferred will sell, continue to hold and/or purchase such shares as set forth below. Existing Holders that submitted or were deemed to have submitted Hold Orders (or on whose behalf Hold Orders were submitted or deemed to have been submitted) will continue to hold the Series E Auction Rate Preferred subject to such Hold Orders. If Sufficient Clearing Bids for Series E Auction Rate Preferred shares have been made: (i) Each Existing Holder that placed or on whose behalf was placed a Submitted Sell Order or Submitted Bid specifying any rate higher than the Winning Bid Rate will sell the Outstanding Series E Auction Rate Preferred subject to such Submitted Sell Order or Submitted Bid; (ii) Each Existing Holder that placed or on whose behalf was placed a

Submitted Bid specifying a rate lower than the Winning Bid Rate will continue to hold the Outstanding Series E Auction Rate Preferred subject to such Submitted Bid; (iii) Each Potential Holder that placed or on whose behalf was placed a Submitted Bid specifying a rate lower than the Winning Bid Rate will purchase the number of Outstanding Series E Auction Rate Preferred shares subject to such Submitted Bid; (iv) Each Existing Holder that placed or on whose behalf was placed a Submitted Bid specifying a rate equal to the Winning Bid Rate will continue to hold Series E Auction Rate Preferred subject to such Submitted Bid, unless the number of Outstanding Series E Auction Rate Preferred shares subject to all such Submitted Bids is greater than the number of Series E Auction Rate Preferred shares ("remaining shares") in excess of the Available Series E Auction Rate Preferred over the number of Series E Auction Rate Preferred shares accounted for in clauses (ii) and (iii) above, in which event each Existing Holder with such a Submitted Bid will continue to hold Series E Auction Rate Preferred subject to such Submitted Bid determined on a pro rata basis based on the number of Outstanding Series E Auction Rate Preferred shares subject to all such Submitted Bids of such Existing Holders; and (v) Each Potential Holder that placed or on whose behalf was placed a Submitted Bid specifying a rate equal to the Winning Bid Rate for Series E Auction Rate Preferred will purchase any Available Series E Auction Rate Preferred not accounted for in clauses (ii) through (iv) above on a pro rata basis based on the Outstanding Series E Auction Rate Preferred shares subject to all such Submitted Bids. If Sufficient Clearing Bids for Series E Auction Rate Preferred shares have not been made (unless this results because all Outstanding Series E Auction Rate Preferred shares are subject to Submitted Hold Orders): (i) Each Existing Holder that placed or on whose behalf was placed a Submitted Bid specifying a rate equal to or lower than the Maximum Rate will continue to hold the Series E Auction Rate Preferred subject to such Submitted Bid; (ii) Each Potential Holder that placed or on whose behalf was placed a Submitted Bid specifying a rate equal to or lower than the Maximum Rate will purchase the number of Series E Auction Rate Preferred shares subject to such Submitted Bid; and B-36 (iii) Each Existing Holder that placed or on whose behalf was placed a Submitted Bid specifying a rate higher than the Maximum Rate or a Submitted Sell Order will sell a number of Series E Auction Rate Preferred shares subject to such Submitted Bid or Submitted Sell Order determined on a pro rata basis based on the number of Outstanding Series E Auction Rate Preferred shares subject to all such Submitted Bids and Submitted Sell Orders. If, as a result of the pro rata allocation described in clauses (iv) or (v) of the second preceding paragraph or clause (iii) of the next preceding paragraph, any Existing Holder would be entitled or required to sell, or any Potential Holder would be entitled or required to purchase, a fraction of a Series E Auction Rate Preferred share, the Auction Agent will, in such manner as, in its sole discretion, it determines, round up or down to the nearest whole share the number of Series E Auction Rate Preferred shares being sold or purchased on such Auction Date so that the number of Series E Auction Rate Preferred shares sold or purchased by each Existing Holder or Potential Holder will be whole shares of such Series. If as a result of the pro rata allocation described in clause (v) of the second preceding paragraph, any Potential Holder would be entitled or required to purchase less than a whole Series E Auction Rate Preferred share, the Auction Agent will, in such manner as, in its sole discretion, it will determine, allocate Series E Auction Rate Preferred for purchase among Potential Holders so that only whole Series E Auction Rate Preferred shares are purchased by any such Potential Holder, even if such allocation results in one or more of such Potential Holders not purchasing shares of such Series.

Notification of Results; Settlement The Auction Agent will be required to advise each Broker-Dealer that submitted an Order of the Applicable Rate for the next Dividend Period and, if the Order was a Bid or Sell Order, whether such Bid or Sell Order was accepted or rejected, in whole or in part, by telephone by approximately 3:00 p.m., New York City time, on each Auction Date. Each Broker-Dealer that submitted an Order for the account of a customer will then be required to advise such customer of the Applicable Rate for the next Dividend Period and, if such Order was a Bid or a Sell Order, whether such Bid or Sell Order was accepted or rejected, in whole or in part, will be required to confirm purchases and sales with each customer purchasing or selling Series E Auction Rate Preferred as a result of the Auction and will be required to advise each customer purchasing or selling Series E Auction Rate Preferred as a result of the Auction to give instructions to its Agent Member of the Securities Depository to pay the purchase price against delivery of such shares or to deliver such shares against payment therefor, as appropriate. The Auction Agent will be required to record each transfer of Series E Auction Rate Preferred shares on the registry of Existing Holders to be maintained by the Auction Agent. In accordance with the Securities Depository's normal procedures, on the Business Day after the Auction Date, the transactions described above will be executed through the Securities Depository and the accounts of the respective Agent Members at the Securities Depository will be debited and credited and shares delivered as necessary to effect the purchases and sales of Series E Auction Rate Preferred as

determined in the Auction. Purchasers will make payment through their Agent Members in same-day funds to the Securities Depository against delivery through their Agent Members; the Securities Depository will make payment in accordance with its normal procedures, which now provide for payment against delivery by their Agent Members in same-day funds. If any Existing Holder selling Series E Auction Rate Preferred in an Auction fails to deliver such shares, the Broker-Dealer of any person that was to have purchased such shares in such Auction may deliver to such person a number of whole Series E Auction Rate Preferred shares that is less than the B-37 number of Series E Auction Rate Preferred shares that otherwise was to be purchased by such person. In such event, the number of Series E Auction Rate Preferred shares to be so delivered will be determined by the Broker-Dealer. Delivery of such lesser number of Series E Auction Rate Preferred shares will constitute good delivery. ADDITIONAL INFORMATION CONCERNING THE SERIES D PREFERRED AND SERIES E AUCTION RATE PREFERRED The additional information concerning the Series D Preferred and Series E Auction Rate Preferred contained in this SAI does not purport to be complete a complete description of those Series and should be read in conjunction with the description of the Series D Preferred and Series E Auction Rate Preferred contained in the Prospectus under "Description of the Series D Preferred and Series E Auction Rate Preferred." This description is subject to and qualified in its entirety by reference to the Fund's Charter, including the provisions of the Articles Supplementary establishing, respectively, the Series D Preferred and the Series E Auction Rate Preferred. Copies of these Articles Supplementary are filed as exhibits to the registration statement of which the Prospectus and this SAI are a part and may be inspected, and a copy thereof may be obtained, as described under "Additional Information" in the Prospectus. Dividends and Dividend Periods For the Series E Auction Rate Preferred Holders of Series E Auction Rate Preferred will be entitled to receive, when, as and if declared by the Board of Directors, out of funds legally available therefor, cumulative cash dividends on their shares, at the Applicable Rate determined as described under " -- Determination of Dividend Rate," payable as and when set forth below. Dividends so declared and payable will be paid to the extent permitted under the Code, and to the extent available and in preference to and priority over any dividend declared and payable on shares of the Fund's Common Stock. By 12:00 noon, New York City time, on the Business Day immediately preceding each Dividend Payment Date, the Fund is required to deposit with the Paying Agent sufficient same-day funds for the payment of declared dividends. The Fund does not intend to establish any reserves for the payment of dividends. Each dividend will be paid by the Paying Agent to the Holder, which Holder is expected to be the nominee of the Securities Depository. The Securities Depository will credit the accounts of the Agent Members of the beneficial owners in accordance with the Securities Depository's normal procedures. The Securities Depository's current procedures provide for it to distribute dividends in same-day funds to Agent Members who are in turn expected to distribute such dividends to the persons for whom they are acting as agents. The Agent Member of a beneficial owner will be responsible for holding or disbursing such payments on the applicable Dividend Payment Date to such beneficial owner in accordance with the instructions of such beneficial owner. Holders of Series E Auction Rate Preferred will not be entitled to any dividends, whether payable in cash, property or shares, in excess of full cumulative dividends. No interest will be payable in respect of any dividend payment or payments that may be in arrears. See " -- Default Period." The amount of dividends per Outstanding Series E Auction Rate Preferred share payable (if declared) on each Dividend Payment Date of each Dividend Period of less than one year (or in respect of dividends on another date in connection with a redemption during such Dividend Period) will be B-38 computed by multiplying the Applicable Rate (or the Default Rate) for such Dividend Period (or a portion thereof) by a fraction, the numerator of which will be the number of days in such Dividend Period (or portion thereof) such share was Outstanding and for which the Applicable Rate or the Default Rate was applicable (but in no event will the numerator exceed 360) and the denominator of which will be 360, multiplying the amount so obtained by the \$25,000, and rounding the amount so obtained to the nearest cent. During any Dividend Period of one year or more, the amount of dividends per Series E Auction Rate Preferred share payable on any Dividend Payment Date (or in respect of dividends on another date in connection with a redemption during such Dividend Period) will be computed as described in the preceding sentence except that the numerator, with respect to any full twelve month period, will be 360. Determination of Dividend Rate. The dividend rate for the initial Dividend Period (i.e., the period from and including the Date of Original Issue to and including the initial Auction Date) and the initial Auction Date for the Series E Auction Rate Preferred is set forth in the Prospectus. See "The Auction of Series E Auction Rate Preferred -- Summary of Auction Procedures" in the Prospectus. For each subsequent Dividend Period, subject to certain exceptions, the dividend rate will be the Applicable Rate that the Auction Agent advises the Fund has resulted from an Auction. Dividend Periods after the

initial Dividend Period will either be Standard Dividend Periods (generally seven days) or, subject to certain conditions and with notice to Holders, Special Dividend Periods. A Special Dividend Period will not be effective unless Sufficient Clearing Bids exist at the Auction in respect of such Special Dividend Period (that is, in general, the number of shares subject to Bids by Potential Beneficial Owners is at least equal to the number of shares subject to Sell Orders by Existing Holders). If Sufficient Clearing Bids do not exist at any Auction in respect of a Special Dividend Period, the Dividend Period commencing on the Business Day succeeding such Auction will be the Standard Dividend Period, and the Holders of the Series E Auction Rate Preferred will be required to continue to hold such shares for such Standard Dividend Period. The designation of a Special Dividend Period is also subject to additional conditions. See " -- Notification of Dividend Period" below. Dividends will accumulate at the Applicable Rate from the Date of Original Issue and will be payable on each Dividend Payment Date thereafter. Dividends will be paid through the Securities Depository on each Dividend Payment Date. The Applicable Rate resulting from an Auction will not be greater than the Maximum Rate. The Maximum Rate is subject to upward, but not downward, adjustment in the discretion of the Board of Directors after consultation with the Broker-Dealers, provided that immediately following any such increase the Fund would be in compliance with the Series E Auction Rate Preferred Basic Maintenance Amount. The Maximum Rate will apply automatically following an Auction for Series E Auction Rate Preferred in which Sufficient Clearing Bids have not been made (other than because all Series E Auction Rate Preferred were subject to Submitted Hold Orders) or following the failure to hold an Auction for any reason on the Auction Date scheduled to occur (except for (i) circumstances in which the Dividend Rate is the Default Rate, as described below or (ii) in the event an auction is not held because an unforeseen event or unforeseen events cause a day that otherwise would have been an Auction Date not to be a Business Day, in which case the length of the then-current dividend period will be extended by seven days, or a multiple thereof if necessary because of such unforeseen event or events, the applicable rate for such period will be the applicable rate for the then-current dividend period so extended and the dividend payment date for such dividend period will be the first business day next succeeding the end of such period). The All Hold Rate will apply automatically following an Auction in which all of the Outstanding Series E Auction Rate Preferred shares are subject (or are deemed to be subject) to Hold Orders. B-39 Prior to each Auction, Broker-Dealers will notify Holders of the term of the next succeeding Dividend Period as soon as practicable after the Broker-Dealers have been so advised by the Fund. After each Auction, on the Auction Date, Broker-Dealers will notify Holders of the Applicable Rate for the next succeeding Dividend Period and of the Auction Date of the next succeeding Auction. Notification of Dividend Period. The Fund will designate the duration of Dividend Periods of the Series E Auction Rate Preferred; provided, however, that no such designation is necessary for a Standard Dividend Period and that any designation of a Special Dividend Period will be effective only if (i) notice thereof has been given as provided herein, (ii) any failure to pay in the timely manner to the Auction Agent the full amount of any dividend on, or the redemption price of, the Series E Auction Rate Preferred has been cured as set forth under " -- Default Period," (iii) Sufficient Clearing Orders existed in an Auction held on the Auction Date immediately preceding the first day of such proposed Special Dividend Period, (iv) if the Fund mailed a notice of redemption with respect to any shares, the Redemption Price with respect to such shares has been deposited with the Paying Agent, and (v) the Fund has confirmed that, as of the Auction Date next preceding the first day of such Special Dividend Period, it has Eligible Assets with an aggregate Discounted Value at least equal to the Series E Auction Rate Preferred Basic Maintenance Amount and has consulted with the Broker-Dealers and has provided notice and a Series E Auction Rate Preferred Basic Maintenance Report to each Rating Agency which is then rating the Series E Auction Rate Preferred and so requires. If the Fund proposes to designate any Special Dividend Period, not fewer than seven Business Days (or two Business Days in the event the duration of the Special Dividend Period is fewer than eight days) nor more than 30 Business Days prior to the first day of such Special Dividend Period, notice will be made by press release and communicated by the Fund by telephonic or other means to the Auction Agent and confirmed in writing promptly thereafter. Each such notice will state (x) that the Fund proposes to exercise its option to designate a succeeding Special Dividend Period, specifying the first and last days thereof and (y) that the Fund will, by 3:00 p.m., New York City time, on the second Business Day next preceding the first day of such Special Dividend Period, notify the Auction Agent, who will promptly notify the Broker-Dealers, of either its determination, subject to certain conditions, to proceed with such Special Dividend Period, in which case the Fund may specify the terms of any Specific Redemption Provisions, or its determination not to proceed with such Special Dividend Period, in which case the succeeding Dividend Period will be a Standard Dividend Period. No later than 3:00 p.m., New York City time, on

the second Business Day next preceding the first day of any proposed Special Dividend Period, the Fund will deliver to the Auction Agent, who will promptly deliver to the Broker-Dealers and Existing Holders, either: (a) a notice stating (1) that the Fund has determined to designate the immediately succeeding Dividend Period as a Special Dividend Period, specifying the first and last days thereof and (2) the terms of the Specific Redemption Provisions, if any; or (b) a notice stating that the Fund has determined not to exercise its option to designate a Special Dividend Period. If the Fund fails to deliver either such notice with respect to any designation of any proposed Special Dividend Period to the Auction Agent or is unable to make the confirmation described above by 3:00 p.m., B-40 New York City time, on the second Business Day next preceding the first day of such proposed Special Dividend Period, the Fund will be deemed to have delivered a notice to the Auction Agent with respect to such Dividend Period to the effect set forth in clause (b) above, thereby resulting in a Standard Dividend Period. Default Period. A "Default Period" with respect to the Outstanding Series E Auction Rate Preferred will commence on any date upon which the Fund fails to deposit irrevocably in trust in same-day funds with the Paying Agent by 12:00 noon, New York City time, on the Business Day immediately preceding the relevant Dividend Payment Date or Redemption Date, as the case may be, (i) the full amount of any declared dividend on the Series E Auction Rate Preferred payable on such Dividend Payment Date (a "Dividend Default") or (ii) the full amount of any redemption price (the "Redemption Price") payable on the Series E Auction Rate Preferred being redeemed on such Redemption Date (a "Redemption Default" and, together with a Dividend Default, a "Default"). A Default Period with respect to a Dividend Default or a Redemption Default will end by 12:00 noon, New York City time, on the Business Day on which all unpaid dividends and any unpaid Redemption Price will have been deposited irrevocably in trust in same-day funds with the Paying Agent. In the case of a Dividend Default, no Auction will be held during a Default Period applicable to the Series E Auction Rate Preferred, and the dividend rate for each Dividend Period commencing during a Default Period will be equal to the Default Rate; provided, however, that if a Default Period is deemed not to have occurred because the Default has been cured, then the dividend rate for the period shall be the Applicable Rate set at the auction for such period. Each subsequent Dividend Period commencing after the beginning of a Default Period will be a Standard Dividend Period; provided, however, that the commencement of a Default Period will not by itself cause the commencement of a new Dividend Period. No Auction will be held during a Default Period applicable to such Series; provided, however, that if a Default Period shall end prior to the end of Standard Dividend Period that had commenced during the Default Period, an Auction shall be held on the last day of such Standard Dividend Period. In the event the Fund fully pays all default amounts due during a Dividend Period, the dividend rate for the remainder of that Dividend Period will be, as the case may be, the Applicable Rate (for the first Dividend Period following a Dividend Default) or the Maximum Rate (for any subsequent Dividend Period for which such Default is continuing). No Default Period with respect to a Dividend Default or Redemption Default will be deemed to commence if the amount of any dividend or any Redemption Price due (if such Default is not solely due to the willful failure of the Fund) is deposited irrevocably in trust, in same-day funds with the Paying Agent by 12:00 noon, New York City time, within three Business Days after the applicable Dividend Payment Date or Redemption Date, together with an amount equal to the Default Rate applied to the amount of such non-payment based on the actual number of days comprising such period divided by 360. The Default Rate will be equal to the Reference Rate multiplied by three. Restrictions on Dividends, Redemption and Other Payments Under the 1940 Act, the Fund may not declare any dividend (except a dividend payable in stock of the issuer) or other distributions upon any of its outstanding Common Stock, or purchase any such Common Stock, if at the time of the declaration, distribution or purchase, as applicable (and after giving effect thereto), asset coverage with respect to the Fund's outstanding Preferred Stock, including the Series D Preferred or Series E Auction Rate Preferred, would be less than 200%. B-41 For so long as the Series D Preferred or Series E Auction Rate Preferred is Outstanding, except as otherwise provided in the Articles Supplementary, the Fund will not pay any dividend or other distribution (other than a dividend or distribution paid in shares of, or options, warrants or rights to subscribe for or purchase, shares of Common Stock or other stock, if any, ranking junior to the Series D Preferred and/or Series E Auction Rate Preferred as to dividends or upon liquidation) with respect to shares of Common Stock or any other stock of the Fund ranking junior to the Series D Preferred and/or Series E Auction Rate Preferred as to dividends or upon liquidation, or call for redemption, redeem, purchase or otherwise acquire for consideration any shares of Common Stock or other stock ranking junior to the Series D Preferred and/or Series E Auction Rate Preferred (except by conversion into or exchange for shares of the Fund ranking junior to the Series D Preferred and/or Series E Auction Rate Preferred as to dividends and upon liquidation), unless, in each case, (x) immediately after such transaction, the

Fund would have Eligible Assets with an aggregate Discounted Value at least equal to the Basic Maintenance Amount applicable to, as the case may be, the Series D Preferred or Series E Auction Rate Preferred and the 1940 Act Asset Coverage with respect to the Fund's Outstanding Preferred Stock, including the Series D Preferred and/or Series E Auction Rate Preferred, would be achieved, (y) all cumulative and unpaid dividends due on or prior to the date of the transaction have been declared and paid in full with respect to the Preferred Stock, including the Series D Preferred and/or Series E Auction Rate Preferred (or will have been declared and sufficient funds for the full payment thereof will have been deposited with the Paying Agent or the dividend-disbursement agent, as applicable) and (z) the Fund has redeemed the full number of shares of Preferred Stock to be redeemed pursuant to any provision for mandatory redemption contained in the Articles Supplementary, including any Series D Preferred and/or Series E Auction Rate Preferred required or determined to be redeemed pursuant to any such provision. No full dividend will be declared or paid on the Series D Preferred or Series E Auction Rate Preferred for any Dividend Period or part thereof, unless full cumulative dividends due through the most recent Dividend Payment Dates of the Outstanding Preferred Stock (including the Series D Preferred and/or Series E Auction Rate Preferred) have been or contemporaneously are declared and paid. If full B-42 cumulative dividends due have not been paid on all such shares of Preferred Stock, any dividends being paid on such shares of Preferred Stock (including the Series D Preferred and/or Series E Auction Rate Preferred) will be paid as nearly pro rata as possible in proportion to the respective amounts of dividends accumulated but unpaid on each such series of Preferred Stock on the relevant Dividend Payment Date. Asset Maintenance The Fund is required to satisfy two separate asset maintenance requirements in respect of its Preferred Stock, including the Series D Preferred and/or Series E Auction Rate Preferred: (i) the Fund must maintain assets in its portfolio that have a value, discounted in accordance with the Rating Agency Guidelines, at least equal to the aggregate liquidation preference of each of the series of Preferred Stock, including Series D Preferred and/or Series E Auction Rate Preferred, plus specified liabilities, payment obligations and other amounts; and (ii) the Fund must maintain asset coverage for its Outstanding Preferred Stock, including for the Series D Preferred and/or Series E Auction Rate Preferred, of at least 200%. Basic Maintenance Amount. The Fund is required to maintain, as of each Valuation Date, Eligible Assets having in the aggregate a Discounted Value at least equal to the Basic Maintenance Amount, calculated separately for Moody's (if Moody's is then rating the Series D Preferred or Series E Auction Rate Preferred at the request of the Fund) and S&P (if S&P is then rating the Series D Preferred or Series E Auction Rate Preferred at the request of the Fund). For this purpose, the value of the Fund's portfolio securities will be the Market Value. If the Fund fails to meet such requirement on any Valuation Date and such failure is not cured by the related Cure Date, the Fund will be required under certain circumstances to redeem some or all of the Series D Preferred or Series E Auction Rate Preferred. The "Basic Maintenance Amount" means, as of any Valuation Date, the dollar amount equal to (i) the sum of (a) the product of the number of shares of each class or series of Preferred Stock Outstanding on such Valuation Date multiplied by the Liquidation Preference per share; (b) to the extent not included in (a) the aggregate amount of cash dividends (whether or not earned or declared) that will have accumulated for each Outstanding share of Preferred Stock from the most recent Dividend Payment Date to which dividends have been paid or duly provided for (or, in the event the Basic Maintenance Amount is calculated on a date prior to the initial Dividend Payment Date with respect to a class or series of the Preferred Stock, then from the date of original issue) through the Valuation Date plus all dividends to accumulate on the Preferred Stock then Outstanding during the 70 days following such Valuation Date or, if less, during the number of days following such Valuation Date that shares of Preferred Stock called for redemption are scheduled to remain Outstanding; (c) the Fund's other liabilities due and payable as of such Valuation Date (except that dividends and other distributions payable by the Fund on Common Stock will not be included as a liability) and such liabilities projected to become due and payable by the Fund during the 90 days following such Valuation Date (excluding liabilities for investments to be purchased and for dividends and other distributions not declared as of such Valuation Date); and (d) any current liabilities of the Fund as of such Valuation Date to the extent not reflected in (or specifically excluded by) any of (i)(a) through (i)(c) (including, without limitation, and immediately upon determination, any amounts due and payable by the Fund pursuant to reverse repurchase agreements and any payables for assets purchased as of such Valuation Date) less (ii) (a) the adjusted value of any of the Fund's assets or (b) the face value of any of the Fund's assets if, in the case of both (ii)(a) and (ii)(b), such assets are either cash or evidences of indebtedness which mature prior to or on the date of redemption or repurchase of shares of Preferred Stock or payment of another liability and are either U.S. Government Obligations or evidences of indebtedness which have a rating assigned by Moody's of at least "Aaa", "P-1", "VMIG-1" or "MIG-1" or by S&P of at

least "AAA", "SP-1+" or "A-1+", and are irrevocably held by the Fund's B-43 custodian bank in a segregated account or deposited by the Fund with the dividend-disbursing agent or Paying Agent, as the case may be, for the payment of the amounts needed to redeem or repurchase Preferred Stock subject to redemption or repurchase or any of (i)(b) through (i)(d); and provided that in the event the Fund has repurchased Preferred Stock and irrevocably segregated or deposited assets as described above with its custodian bank or the dividend-disbursing agent or Paying Agent for the payment of the repurchase price the Fund may deduct 100% of the Liquidation Preference of such Preferred Stock to be repurchased from (i) above. The Discount Factors - the criteria used to determine the Discounted Value of the Fund's portfolio holdings for purposes of determining compliance with the Basic Maintenance Amount - are based on the criteria established by each Rating Agency in connection with rating, as the case may be, the Series D Preferred or Series E Auction Rate Preferred. These factors include, but are not limited to, the sensitivity of the market value of the relevant asset to changes in interest rates, the liquidity and depth of the market for the relevant asset, the credit quality of the relevant asset (for example, the lower the rating of a debt obligation, the higher the related discount factor) and the frequency with which the relevant asset is marked to market. In no event will the Discounted Value of any asset of the Fund exceed its unpaid principal balance or face amount as of the date of calculation. Upon any failure to maintain the required Eligible Assets, the Fund will seek to alter the composition of its portfolio to re-attain the Basic Maintenance Amount on or prior to the applicable Cure Date, thereby incurring additional transaction costs and possible losses and/or gains on dispositions of portfolio securities. The Fund may, but is not required to, adopt any modifications to the rating agency guidelines that may hereafter be established by Moody's or S&P. Failure to adopt any such modifications, however, may result in a change in the relevant rating agency's ratings or a withdrawal of such ratings altogether. In addition, any rating agency providing a rating for the Series D Preferred or the Series E Auction Rate Preferred at the request of the Fund may, at any time, change or withdraw any such rating. The Board of Directors, without further action by the stockholders, may amend, alter, add to or repeal certain of the definitions and related provisions that have been adopted by the Fund pursuant to the rating agency guidelines if the Board determines that such modification is necessary to prevent a reduction in rating of the shares of preferred stock by Moody's and/or S&P, as the case may be, is in the best interests of the holders of shares of common stock and is not adverse to the holders of preferred stock in view of advice to the Fund by Moody's and/or S&P (or such other rating agency then rating the Series D Preferred and/or Series E Auction Rate Preferred at the request of the Fund) that such modification would not adversely affect, as the case may be, its then current rating of the Series D Preferred and/or the Series E Auction Rate Preferred. The Board of Directors may amend the Articles Supplementary definition of "Maximum Rate" (the "maximum rate" as defined below under " -- Dividends on the Series E Auction Rate Preferred -- Maximum Rate") to increase the percentage amount by which the applicable reference rate is multiplied to determine the maximum rate without the vote or consent of the holders of Series E Auction Rate Preferred or any other stockholder of the Fund, but only after consultation with the broker-dealers and with confirmation from each applicable rating agency that the Fund could meet applicable rating agency asset coverage tests immediately following any such increase 1940 Act Asset Coverage. As of each Valuation Date, the Fund will determine whether the 1940 Act Asset Coverage is met as of that date. The Fund will deliver, with respect to the Series E Auction Rate Preferred, to the Auction Agent and each Rating Agency a 1940 Act Asset Coverage Certificate B-44 which sets forth the determination of the preceding sentence (i) as of the Date of Original Issue and, thereafter, (ii) as of (x) the last Business Day of each March, June, September and December and (y) a Business Day on or before any 1940 Act Asset Coverage Cure Date following a failure to meet 1940 Act Asset Coverage. Such 1940 Act Asset Coverage Certificate will be delivered in the case of clause (i) on the Date of Original Issue and in the case of clause (ii) on or before the seventh Business Day after the last Business Day of such March, June, September and December, as the case may be, or the relevant Cure Date. Notices. The Fund must deliver a Basic Maintenance Report to each applicable Rating Agency and the Auction Agent, if any, which sets forth, as of the related Monthly Valuation Date, Eligible Assets sufficient to meet or exceed the applicable Basic Maintenance Amount, the Market Value and Discounted Value thereof (in a series and in the aggregate) and the applicable Basic Maintenance Amount. Such Basic Maintenance Reports must be delivered as of the applicable Date of Original Issue and thereafter upon the occurrence of specified events on or before the fifth Business Day after the relevant Monthly Valuation Date or Cure Date. As for any Valuation Date for the Series E Auction Rate Preferred for which the Fund's ratio of the Discounted Value of Eligible Assets in respect of any Rating Agency to the Basic Maintenance Amount is less than or equal to 110%, the Fund shall deliver, by fax or email before 5:00 p.m. New York City time on the first Business Day following such Valuation

Date, notice of such ratio to each Rating Agency. Deposit Assets Requirements Relating to the Series E Auction Rate Preferred The Fund is obligated to deposit in a segregated custodial account a specified amount of Deposit Assets not later than 12:00 noon, New York City time, on each Dividend Payment Date and each Redemption Date relating to the Series E Auction Rate Preferred. These Deposit Assets, in all cases, will have an initial combined value greater than or equal to the cash amounts payable on the applicable Dividend Payment Date or Redemption Date, and will mature prior to such date. Restrictions on Transfer Relating to the Series E Auction Rate Preferred Series E Auction Rate Preferred may be transferred only (i) pursuant to an Order placed in an Auction, (ii) to or through a Broker-Dealer, or (iii) to the Fund or any Affiliate. Notwithstanding the foregoing, a transfer other than pursuant to an Auction will not be effective unless the selling Existing Holder or the Agent Member of such Existing Holder, in the case of an Existing Holder whose shares are listed in its own name on the books of the Auction Agent, or the Broker-Dealer or Agent Member of such Broker-Dealer, in the case of a transfer between persons holding Series E Auction Rate Preferred through different Broker-Dealers, advises the Auction Agent of such transfer. Any certificates representing the Series E Auction Rate Preferred shares issued to the Securities Depository will bear legends with respect to the restrictions described above and stop-transfer instructions will be issued to the Transfer Agent and/or Registrar.

MOODY'S AND S&P GUIDELINES The descriptions of the Moody's and S&P Guidelines contained in this SAI do not purport to be complete and are subject to and qualified in their entireties by reference to the applicable Articles Supplementary. Copies of the Articles Supplementary are filed as an exhibit to the registration statement B-45 of which the Prospectus and this SAI are a part and may be inspected, and copies thereof may be obtained, as described under "Additional Information" in the Prospectus. The composition of the Fund's portfolio reflects guidelines (referred to herein as the "Rating Agency Guidelines") established by Moody's and S&P, each a Rating Agency, in connection with the Fund's receipt of a rating of "Aaa" from Moody's and "AAA" from S&P, for the Series E Auction Rate Preferred and a rating of "Aaa" from Moody's for the Series D Preferred. These Rating Agency Guidelines relate, among other things, to industry and credit quality characteristics of issuers and diversification requirements and specify various Discount Factors for different types of securities (with the level of discount greater as the rating of a security becomes lower). Under the Rating Agency Guidelines, certain types of securities in which the Fund may otherwise invest consistent with its investment strategy are not eligible for inclusion in the calculation of the Discounted Value of the Fund's portfolio. Such instruments include, for example, private placements (other than Rule 144A Securities) and other securities not within the Rating Agency Guidelines. Accordingly, although the Fund reserves the right to invest in such securities to the extent set forth herein, such securities have not and it is anticipated that they will not constitute a significant portion of the Fund's portfolio. The Rating Agency Guidelines require that the Fund maintain assets having an aggregate Discounted Value, determined on the basis of such guidelines, greater than the aggregate liquidation preference of the Outstanding shares of Series D Preferred, Series E Auction Rate Preferred and other Preferred Stock plus specified liabilities, payment obligations and other amounts, as of periodic Valuation Dates. The Rating Agency Guidelines also require the Fund to maintain asset coverage for the Outstanding Shares of Series D Preferred, Series E Auction Rate Preferred and other Preferred Stock on a non-discounted basis of at least 200% as of the end of each month, and the 1940 Act requires this asset coverage as a condition to paying dividends or other distributions on Common stock. See "Additional Information Concerning The Series D Preferred and Series E Auction Rate Preferred - Asset Maintenance." The effect of compliance with the Rating Agency Guidelines may be to cause the Fund to invest in higher quality assets and/or to maintain relatively substantial balances of highly liquid assets or to restrict the Fund's ability to make certain investments that would otherwise be deemed potentially desirable by the Investment Adviser, including private placements of other than Rule 144A Securities (as defined herein). The Rating Agency Guidelines are subject to change from time to time with the consent of the relevant Rating Agency and will apply to the Series D Preferred or Series E Auction Rate Preferred only so long as the relevant Rating Agency is rating such stock at the request of the Fund. If in the future the Fund elected to issue senior securities rated by a rating agency other than Moody's or S&P, other similar arrangements might apply with respect to those securities. The Fund intends to maintain, at specified times, a Discounted Value for its portfolio at least equal to the amount specified by each Rating Agency (the "Basic Maintenance Amount"), the determination of which is as set forth under "Additional Information Concerning The Series D Preferred and Series E Auction Rate Preferred -- Asset Maintenance." Moody's and S&P have each established separate guidelines for determining Discounted Value. To the extent any particular portfolio holding does not satisfy the applicable Rating Agency's Guidelines, all or a portion of such holding's value will not be included in the calculation of Discounted Value (as

defined by such Rating Agency). Upon any failure to maintain the required Discounted Value, the Fund may seek to alter the composition of its portfolio to reestablish required asset coverage within the specified ten Business Day cure period, thereby incurring additional transaction costs and possible losses and/or gains on dispositions of portfolio securities. B-46 The Rating Agency Guidelines do not impose any limitations on the percentage of Fund assets that may be invested in holdings not eligible for inclusion in the calculation of the Discounted Value of the Fund's portfolio. The amount of such assets included in the portfolio at any time may vary depending upon the rating, diversification and other characteristics of the assets included in the portfolio which are eligible for inclusion in the Discounted Value of the portfolio under the Rating Agency Guidelines. A rating of preferred stock as "Aaa" (as described by Moody's or "AAA" (as described by S&P) indicates strong asset protection, conservative balance sheet ratios and positive indications of continued protection of preferred dividend requirements. A "Aaa" or "AAA" credit rating of preferred stock does not address the likelihood that a resale mechanism (such as the Auction) will be successful. As described respectively by Moody's and S&P, an issue of preferred stock which is rated "Aaa" or "AAA" is considered to be top-quality preferred stock with good asset protection and the least risk of dividend impairment within the universe of preferred stocks. The Fund will pay certain fees to Moody's and S&P for rating, as the case may be, the Series D Preferred or Series E Auction Rate Preferred. Such ratings may be subject to revision or withdrawal by the assigning Rating Agency for any time. Any rating of the Series D Preferred or Series E Auction Rate Preferred should be evaluated independently of any other ratings. Ratings are not recommendations to purchase, hold or sell Series D Preferred or Series E Auction Rate Preferred, inasmuch as the rating does not comment as to market price or suitability for a particular investor. The rating is based on current information furnished to Moody's and S&P by the Fund and obtained by Moody's and S&P from other sources. The rating may be changed, suspended or withdrawn as a result of changes in, or unavailability of, such information. The Fund has no current intention to file a voluntary application for relief under federal bankruptcy law or any similar application under state law for so long as the Fund is solvent and does not foresee becoming insolvent. MOODY'S GUIDELINES Under the Moody's guidelines, the Fund is required to maintain specified discounted asset values for its portfolio representing the Preferred Basic Maintenance Amount. To the extent any particular portfolio holding does not meet the applicable guidelines, it is not included for purposes of calculating the Discounted Value of the Fund's portfolio. The following Discount Factors apply to portfolio holdings as described below, subject to diversification, issuer size and other requirements, in order to constitute Moody's Eligible Assets includable within the calculation of Discounted Value:

Moody's Type of Moody's Eligible Asset: Discount Factor: -----	Short Term
Money Market Instruments (other than U.S. Government Obligations set forth below) and other commercial paper:	
U.S. Treasury Securities with final maturities that are less than or equal to 60 days.....	1.00
Demand or time deposits, certificates of deposit and bankers' acceptances includable in Moody's Short Term Money Market Instruments.....	1.00
Commercial paper rated P-1 by Moody's maturing in 30 days or less.....	1.00
Commercial paper rated P-1 by Moody's maturing in more than 30 days but in 270 days or less.....	1.15
B-47 Moody's Type of Moody's Eligible Asset: Discount Factor: -----	
Commercial paper rated A-1+ by S&P maturing in 270 days or less.....	1.25
Repurchase obligations includable in Moody's Short Term Money Market Instruments if term is less than 30 days and counterparty is rated at least A2.....	1.00
Other repurchase obligations.....	** U.S. Common Stock and Common Stock of foreign issuers for which ADRs are traded Utility.....
	1.70
Industrial.....	2.64
Financial.....	2.41
Transportation.....	3.4
Common Stock of foreign issuers (in existence for at least five years) for which no ADRs are traded.....	4.00
Convertible preferred stocks.....	3.00
Preferred stocks: Auction rate preferred stocks	
Cumulative.....	3.50
Non-Cumulative.....	3.60
Other preferred stocks issued by issuers in the financial and industrial industries	
Cumulative.....	1.97
Non-Cumulative.....	2.07
Other preferred stocks issued by issuers in the utilities industry	
Cumulative.....	1.55
Non-Cumulative.....	1.65
U.S. Government Obligations (other than U.S. Treasury Securities set forth above or U.S. Treasury Securities Strips set forth below).....	1.04-1.26

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Treasury Securities Strips.....	1.04-1.66 Corporate Debt: Non-convertible corporate debt rated Aaa.....	1.09-1.50 Non-convertible corporate debt rated at least Aa3.....	1.12-1.55 Non-convertible corporate debt rated at least A3.....	1.15-1.60 Non-convertible corporate debt rated at least Baa3.....	1.18-1.65 Non-convertible corporate debt rated at least Ba3.....	1.37-1.96 Non-convertible corporate debt rated at least B1 and B2.....	1.50-2.29 Non-convertible unrated corporate debt.....	2.50
Convertible corporate debt rated at least Aa3 issued by the following type of issuers:								
Utility.....	1.67	** Discount factor applicable to the underlying assets. B-48 Moody's Type of Moody's Eligible Asset: Discount Factor: -----						
----- Industrial.....	2.61							
Financial.....	2.38							
Transportation.....	2.65	Convertible corporate debt rated at least A3 issued by the following type of issuers: Utility.....						
----- Industrial.....	2.66							
----- Financial.....	2.43							
----- Transportation.....	2.75	Convertible corporate debt rated at least Baa3 issued by the following type of issuers: Utility.....						
----- Industrial.....	2.82							
----- Financial.....	2.59							
----- Transportation.....	2.85	Convertible corporate debt rated at least Ba3 issued by the following type of issuers: Utility.....						
----- Industrial.....	2.90							
----- Financial.....	2.65							
----- Transportation.....	2.90	Convertible corporate debt rated at least B2 issued by the following type of issuers: Utility.....						
----- Industrial.....	2.93							
----- Financial.....	2.70							
----- Transportation.....	2.95	"Moody's Eligible Assets" means: (a) cash (including, for this purpose, receivables for investments sold to a counterparty whose senior debt securities are rated at least "Baa3" by Moody's or a counterparty approved by Moody's and payable within five Business Days following such Valuation Date and dividends and interest receivable within 49 days on investments); (b) Short-Term Money Market Instruments; (c) commercial paper that is not includable as a Short-Term Money Market Instrument having on the Valuation Date a rating from Moody's of at least "P-1" and maturing within 270 days; B-49 (d) preferred stocks (i) which either (A) are issued by issuers whose senior debt securities are rated at least "Baa1" by Moody's or (B) are rated at least "Baa3" by Moody's or (C) in the event an issuer's senior debt securities or preferred stock is not rated by Moody's, which either (1) are issued by an issuer whose senior debt securities are rated at least "A-" by S&P or (2) are rated at least "A-" by S&P and for this purpose have been assigned a Moody's equivalent rating of at least "Baa3", (ii) of issuers which have (or, in the case of issuers which are special purpose corporations, whose parent companies have) common stock listed on the New York Stock Exchange, the American Stock Exchange or the Nasdaq National Market System, (iii) which have a minimum issue size (when taken together with other of the issuer's issues of similar tenor) of \$50,000,000, (iv) which have paid cash dividends consistently during the preceding three-year period (or, in the case of new issues without a dividend history, are rated at least "A1" by Moody's or, if not rated by Moody's, are rated at least "AA-" by S&P), (v) which pay cumulative cash dividends in U.S. dollars, (vi) which are not convertible into any other class of stock and do not have warrants attached, (vii) which are not issued by issuers in the transportation industry and (viii) in the case of auction rate preferred stocks, which are rated at least "Aa3" by Moody's, or if not rated by Moody's, "AAA" by S&P, "AAA" by Fitch or are otherwise approved in writing by Moody's and have never had a failed auction; provided, however, that for this purpose the aggregate Market Value of the Fund's holdings of any single issue of auction rate preferred stock shall not be more than 1% of the Fund's total assets; (e) common stocks (i) (A) which are traded on a nationally recognized stock exchange or in the over-the-counter market, (B) if cash dividend paying, pay cash dividends in U.S. dollars and (C) which may be sold without restriction by the Fund; provided, however, that (y) common stock which, while a Moody's Eligible Asset owned by the Fund, ceases paying						

any regular cash dividend will no longer be considered a Moody's Eligible Asset until 71 days after the date of the announcement of such cessation, unless the issuer of the common stock has senior debt securities rated at least A3 by Moody's and (z) the aggregate Market Value of the Fund's holdings of the common stock of any issuer in excess of 4% in the case of utility common stock and 6% in the case of non-utility common stock of the aggregate Market Value of the Fund's holdings shall not be Moody's Eligible Assets, (ii) which are securities denominated in any currency other than the U.S. dollar or securities of issuers formed under the laws of jurisdictions other than the United States, its states and the District of Columbia for which there are dollar-denominated American Depository Receipts ("ADRs") or their equivalents which are traded in the United States on exchanges or over-the-counter and are issued by banks formed under the laws of the United States, its states or the District of Columbia or (iii) which are securities of issuers formed under the laws of jurisdictions other than the United States (and in existence for at least five years) for which no ADRs are traded; provided, however, that the aggregate Market Value of the Fund's holdings of securities denominated in currencies other than the U.S. dollar and ADRs in excess of (A) 6% of the aggregate Market Value of the outstanding shares of common stock of such issuer thereof or (B) 10% of the Market Value of the Fund's Moody's Eligible Assets with respect to issuers formed under the laws of any single such non-U.S. jurisdiction other than Australia, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Spain, Sweden, Switzerland and the United Kingdom, shall not be a Moody's Eligible Asset; (f) ADR securities, based on the following guidelines: (i) Sponsored ADR program or (ii) Level II or Level III ADRs. Private placement Rule 144A ADRs are not eligible for collateral consideration. Global GDR programs will be evaluated on a case by case basis; (g) U.S. Government Obligations; (h) corporate evidences of indebtedness (i) which may be sold without restriction by the Fund which are rated at least "B3" ("Caa" subordinate) by Moody's (or, in the event the security is not rated by Moody's, the security is rated at least "BB-" by S&P or "BB-" by Fitch and which for this purpose is assigned a Moody's equivalent rating of one full rating category lower), with such rating confirmed on B-50 each Valuation Date, (ii) which have a minimum issue size of at least (A) \$100,000,000 if rated at least "Baa3" or (B) \$50,000,000 if rated "B" or "Ba3", (iii) which are not convertible or exchangeable into equity of the issuing corporation and have a maturity of not more than 30 years and (iv) for which, if rated below "Baa3" or not rated, the aggregate Market Value of the Fund's holdings do not exceed 10% of the aggregate Market Value of any individual issue of corporate evidences of indebtedness calculated at the time of original issuance; (i) convertible corporate evidences of indebtedness (i) which are issued by issuers whose senior debt securities are rated at least "B2" by Moody's (or, in the event an issuer's senior debt securities are not rated by Moody's, which are issued by issuers whose senior debt securities are rated at least "BB" by S&P or "BB" by Fitch and which for this purpose is assigned a Moody's equivalent rating of one full rating category lower), (ii) which are convertible into common stocks which are traded on the New York Stock Exchange or the American Stock Exchange or are quoted on the Nasdaq National Market System and (iii) which, if cash dividend paying, pay cash dividends in U.S. dollars; provided, however, that once convertible corporate evidences of indebtedness have been converted into common stock, the common stock issued upon conversion must satisfy the criteria set forth in clause (e) above and other relevant criteria set forth in this definition in order to be a Moody's Eligible Asset; provided, however, that the Fund's investments in auction rate preferred stocks described in clause (d) above shall be included in Moody's Eligible Assets only to the extent that the aggregate Market Value of such stocks does not exceed 10% of the aggregate Market Value of all of the Fund's investments meeting the criteria set forth in clauses (a) through (g) above less the aggregate Market Value of those investments excluded from Moody's Eligible Assets pursuant to the proviso appearing after clause (j) below; and (j) no assets which are subject to any lien or irrevocably deposited by the Fund for the payment of amounts needed to meet the following obligations may be includable in Moody's Eligible Assets. Notwithstanding anything to the contrary in the preceding clauses (a)-(j), the Fund's investment in preferred stock, common stock, corporate evidences of indebtedness and convertible corporate evidences of indebtedness shall not be treated as Moody's Eligible Assets except to the extent they satisfy the following diversification requirements (utilizing Moody's Industry and Sub-industry Categories) with respect to the Market Value of the Fund's holdings: Issuer: Non-Utility Utility
 Maximum Single Maximum Single Moody's Rating(1)(2) Issuer(3)(4) Issuer(3)(4) -----
 ----- Aaa 100% 100% Aa 20% 20% A 10% 10% CS/CB, "Baa", Baa(5) 6% 4% Ba 4% 4% B1/B2 3% 3% B3 or below 2% 2% B-51 Industry and State: Utility Utility Non-Utility Maximum Maximum Maximum Single Single Sub-Single Moody's Rating(1) Industry(3) Industry(3)(6) State(3) -----
 ----- Aaa 100% 100% 100% Aa 60% 60% 20% A 40% 50% 10%(7) CS/CB, "Baa", Baa(5) 20% 50% 7%(7) Ba 12% 12% 0% B1/B2

8% 8% 0% B3 or below 5% 5% 0% _____ (1) Unless conclusions regarding liquidity risk as well as estimates of both the probability and severity of default for the Fund's assets can be derived from other sources, securities rated below B by Moody's and unrated securities, which are securities rated by neither Moody's, S&P nor Fitch, are limited to 10% of Moody's Eligible Assets. If a corporate, municipal or other debt security is unrated by Moody's, S&P or Fitch, the Fund will use the percentage set forth under "Below B and Unrated" in this table. Ratings assigned by S&P or Fitch are generally accepted by Moody's at face value. However, adjustments to face value may be made to particular categories of credits for which the S&P and/or Fitch rating does not seem to approximate a Moody's rating equivalent. (2) Corporate evidences of indebtedness from issues ranging from \$50,000,000 to \$100,000,000 are limited to 20% of Moody's Eligible Assets. (3) The referenced percentages represent maximum cumulative totals only for the related Moody's rating category and each lower Moody's rating category. (4) Issuers subject to common ownership of 25% or more are considered as one name. (5) CS/CB refers to common stock and convertible corporate evidences of indebtedness, which are diversified independently from the rating level. (6) In the case of utility common stock, utility preferred stock, utility evidences of indebtedness and utility convertible evidences of indebtedness, the definition of industry refers to sub-industries (electric, water, hydro power, gas, diversified). Investments in other sub-industries are eligible only to the extent that the combined sum represents a percentage position of the Moody's Eligible Assets less than or equal to the percentage limits in the diversification tables above. (7) Such percentage shall be 15% in the case of utilities regulated by California, New York and Texas.

B-52 S&P GUIDELINES Under the S&P guidelines, the Fund is required to maintain specified discounted asset values for its portfolio representing the Series E Auction Rate Preferred Basic Maintenance Amount (as defined below). To the extent any particular portfolio holding does not meet the applicable guidelines, it is not included for purposes of calculating the Discounted Value of the Fund's portfolio, and, among the requirements, the amount of such assets included in the portfolio at any time, if any, may vary depending upon the credit quality (and related Discounted Value) of the Fund's eligible assets at such time. The Series E Auction Rate Preferred Basic Maintenance Amount includes the sum of (i) \$25,000 times the number of Series E Auction Rate Preferred shares then Outstanding, (ii) the liquidation preference of each additional series of Preferred Stock of the Fund times the number of shares of such series then outstanding and (iii) certain accrued and projected payment obligations of the Fund. Upon any failure to maintain the required Discounted Value, the Fund may seek to alter the composition of its portfolio to reestablish required asset coverage within the specified ten Business Day cure period, thereby incurring additional transaction costs and possible losses and/or gains on dispositions of portfolio securities. The following Discount Factors apply to portfolio holdings as described below in order to constitute S&P Eligible Assets includable within the calculation of Discounted Value: Asset Class Obligor Overcollateralization (Collateral) Advance Rates (1) Factors (1) -----
----- Public Equity Small-Cap 46.0% 217.4% Public Equity Mid-Cap 53.6% 186.6% Public Equity Large-Cap 59.7% 167.6% Cash and Other Deposit Securities with Maturities 100.0% 100.0% of 30 days or less

_____ (1) For an S&P rating of AAA. "S&P Seasoned Eligible Assets" means: (a) Deposit Assets; and (b) common stocks that satisfy all of the following conditions: (i) such common stock (including the common stock of any predecessor or constituent issuer) has been traded on a recognized national securities exchange or quoted on the National Market System (or any equivalent or successor thereto) of Nasdaq for at least 450 days, (ii) the Market Capitalization of such issuer of common stock exceeds \$100 million, B-53 (iii) the issuer of such common stock is not an entity that is treated as a partnership for federal income tax purposes, (iv) if such issuer is organized under the laws of any jurisdiction other than the United States, any state thereof, any possession or territory thereof or the District of Columbia, the common stock of such issuer held by the Fund is traded on a recognized national securities exchange or quoted on the National Market System of Nasdaq either directly or in the form of depository receipts, and (v) if such issuer is registered as an investment company under the 1940 Act, such issuer does not invest more than 25% of the value of its gross assets in securities that are not S&P Eligible Assets by reason of clause (iv) above; provided, however, that the Fund's holdings of the common stock of any single issuer that satisfies the conditions set forth in clauses (i) through (v) above shall be included in S&P Eligible Assets only to the extent that: (1) such holdings may be sold publicly by the Fund at any time without registration, (2) to the extent remaining eligible after the operation of item (1) above, such holdings do not exceed a number of shares representing the average weekly trading volume of such common stock during the preceding 30 day period, (3) to the extent remaining eligible after the operation of items (1) and (2) above, the aggregate Market Value of such holdings, when added to the aggregate Market Value of the Fund's holdings of all other similarly eligible shares of common stock of issuers in the same Industry

Classification, does not exceed 10% of the aggregate Market Value of the Fund's S&P Eligible Assets, and (4) to the extent remaining eligible after the operation of items (1) through (3) above, the aggregate Market Value of each of the three largest issuers is not in excess of 5% of the aggregate Market Value of the Fund's S&P Eligible Assets, and of the remaining issuers, is not in excess of 2% of the aggregate Market Value of the Fund's S&P Eligible Assets. (c) preferred stocks on such basis as S&P may determine in response to a request from the Fund. Notwithstanding the foregoing, an asset will not be considered an S&P Eligible Asset if it is held in a margin account, is subject to any material lien, mortgage, pledge, security interest or security agreement of any kind or has been deposited irrevocably for the payment of dividends, redemption payments or any other payment or obligation under the Fund's Articles Supplementary. B-54 In addition, so long as any Series E Auction Rate Preferred is Outstanding and S&P is rating such Series E Auction Rate Preferred at the Fund's request, the Fund will not, unless it has received written confirmation that any such transaction would not impair the rating then assigned by S&P to the Series E Auction Rate Preferred, engage in any one or more of the following transactions: (a) purchase or sell futures contracts; write, purchase or sell options on futures contracts; or write put options (except covered put options) or call options (except covered call options) on securities owned by the Fund (collectively, "S&P Hedging Transactions"), except subject to the following limitations: (i) for each net long or short position in S&P Hedging Transactions, the Fund will maintain in a segregated account with the Fund's custodian an amount of cash or readily marketable securities having a value, when added to any amounts on deposit with the Fund's futures commission merchants or brokers as margin or premium for such position, at least equal to the market value of the Fund's potential obligations on such position, marked-to-market on a daily basis, in each case as and to the extent required by the applicable rules or orders of the SEC or by interpretations of the SEC's staff; (ii) the Fund will not engage in any S&P Hedging Transaction which would cause the Fund at the time of such transaction to own or have sold the lesser of (A) outstanding futures contracts, in aggregate, based on the Standard & Poor's 500 Index, the Dow Jones Industrial Average, the Russell 2000 Index, the Wilshire 5000 Index, the Nasdaq Composite Index and the New York Stock Exchange Composite Index (or any component of any of the forgoing) exceeding in number 50% of the market value of the Fund's total assets or (B) outstanding futures contracts based on any of the aforementioned indices exceeding in number 10% of the average number of daily traded futures contracts based on such index in the 30 days preceding the time of effecting such transaction as reported by The Wall Street Journal; (iii) the Fund will engage in closing transactions to close out any outstanding futures contract which the Fund owns or has sold or any outstanding option thereon owned by the Fund in the event (A) the Fund does not have S&P Eligible Assets with an aggregate Discounted Value equal to or greater than the Series E Auction Rate Preferred Basic Maintenance Amount on two consecutive Valuation Dates and (B) the Fund is required to pay variation margin on the second such Valuation Date; (iv) the Fund will engage in a closing transaction to close out any outstanding futures contract or option thereon at least one week prior to the delivery date under the terms of the futures contract or option thereon unless the corporation holds the securities deliverable under such terms; and (v) when the Fund writes a futures contract or option thereon, either the amount of margin posted by the Fund (in the case of a futures contract) or the marked-to-market value of the Fund's obligation (in the case of a put option written by the Fund) shall be treated as a liability of the Fund for purposes of calculating the Series E Auction Rate Preferred Basic Maintenance Amount, or, in the event the Fund writes a futures contract or option thereon which requires delivery of an underlying security and the Fund does not wish to treat its obligations with respect thereto as a liability for purposes of calculating the Series E Auction Rate Preferred Basic Maintenance Amount, it shall hold such underlying security in its portfolio and shall not include such security to the extent of such contract or option as an S&P Eligible Asset. B-55 (b) borrow money, except for the purpose of clearing securities transactions if (i) the Series E Auction Rate Preferred Basic Maintenance Amount would continue to be satisfied after giving effect to such borrowing and (ii) such borrowing (A) is privately arranged with a bank or other person and is not intended to be publicly distributed or (B) is for "temporary purposes," and is in an amount not exceeding 5 percent of the market value of the total assets of the Fund at the time of the borrowing; for purposes of the foregoing, "temporary purposes" means that the borrowing is to be repaid within sixty days and is not to be extended or renewed; (c) engage in any short sales of equity securities (other than short sales against the box) unless the Fund maintains in a segregated account with the Fund's custodian an amount of cash or other readily marketable securities having a market value, when added to any amounts on deposit with the Fund's broker as collateral for its obligation to replace the securities borrowed and sold short, at least equal to the current market value of securities sold short, marked-to-market on a daily basis; (d) utilize any pricing service other than FT Interactive Data, Reuters, Telekurs, Bloomberg Financial

Markets, J.J. Kenney Pricing Service, Merrill Lynch Securities Pricing Service or Bridge Data Corp, and any pricing service then permitted by SP or (e) enter into any reverse repurchase agreement, other than with a counterparty that is rated at least A-1+ by S&P. NET ASSET VALUE The net asset value of the Fund's shares will be computed based on the market value of the securities it holds and will generally be determined daily as of the close of regular trading on the NYSE. Portfolio instruments of the Fund which are traded in a market subject to government regulation on which trades are reported contemporaneously generally will be valued at the last sale price on the principal market for such instruments as of the close of regular trading on the day the instruments are being valued, or lacking any sales, at the average of the bid and asked price on the principal market for such instruments on the most recent date on which bid and asked prices are available. Initial public offering securities are initially valued at cost, and thereafter as any other equity security. Other readily marketable assets will be valued at the average of quotations provided by dealers maintaining an active market in such instruments. Short-term debt instruments that are credit impaired or mature in more than 60 days for which market quotations are available are valued at the latest average of the bid and asked prices obtained from a dealer maintaining an active market in that security. Short-term investments that are not credit impaired and mature in 60 days or fewer are valued at amortized cost from purchase price or value on the 61st day prior to maturity. Securities and other assets for which market quotations are not readily available will be valued at fair value as determined in good faith by or under the direction of the Investment Adviser in accordance with guidelines adopted by the Fund. The Fund may employ recognized pricing services from time to time for the purpose of pricing portfolio instruments (including non-U.S. dollar denominated assets and futures and options). Trading takes place in various foreign markets on days which are not Business Days and on which therefore the Fund's net asset value per share is not calculated. The calculation of the Fund's net asset value may not take place contemporaneously with the determination of the prices of portfolio securities held by the Fund. Events affecting the values of portfolio securities that occur between the time their prices are determined and the close of the NYSE will not be reflected in the Fund's calculation of net asset value unless the Board of Directors deems that the particular event would materially affect the net asset value, in which case the fair value of those securities will be determined by consideration of other factors by or under the direction of the Board of Directors. Net asset value per share is calculated by dividing the value of the securities held plus any cash or other assets minus all liabilities, including accrued expenses, by the total number of shares outstanding at such time. BENEFICIAL OWNERS Name and Address of Beneficial/Record Owner Amount of Shares and as of September 15, 2003 Title of Class Nature of Ownership Percent of Class ----- Cede & Co.* Common 115,753,308 (Record) 84.60% P.O. Box 29 Bowling Green Station Series B Preferred 6,586,930 (Record) 99.08% New York, NY 10274 Series C Auction 5,200 (Record) 100% Rate Preferred * A nominee partnership of DTC. As of September 15, 2003, the Directors and Officers of the Fund as a group beneficially owned approximately 1.14% of the outstanding shares of the Fund's common stock. GENERAL INFORMATION Book-Entry-Only Issuance DTC will act as securities depository for the shares of Series D Preferred and/or Series E Auction Rate Preferred offered pursuant to the Prospectus. The information in this section concerning DTC and DTC's book-entry system is based upon information obtained from DTC. The securities offered hereby initially will be issued only as fully-registered securities registered in the name of Cede & Co. (as nominee for DTC). One or more fully-registered global security certificates initially will be issued, representing in the aggregate the total number of securities, and deposited with DTC. DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve B-57 System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities that its participants deposit with DTC. DTC also facilitates the settlement among participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct DTC participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly through other entities. Purchases of securities within the DTC system must be made by or through direct participants, which will receive a credit for the securities on DTC's records. The ownership interest of each actual purchaser of a security, a beneficial owner, is in turn to be recorded on the direct or indirect participants' records.

Beneficial owners will not receive written confirmation from DTC of their purchases, but beneficial owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the direct or indirect participants through which the beneficial owners purchased securities. Transfers of ownership interests in securities are to be accomplished by entries made on the books of participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interests in securities, except as provided herein. DTC has no knowledge of the actual beneficial owners of the securities being offered pursuant to this Prospectus; DTC's records reflect only the identity of the direct participants to whose accounts such securities are credited, which may or may not be the beneficial owners. The participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants, and by direct participants and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments on the securities will be made to DTC. DTC's practice is to credit direct participants' accounts on the relevant payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payments on such payment date. Payments by participants to beneficial owners will be governed by standing instructions and customary practices and will be the responsibility of such participant and not of DTC or the Fund, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of dividends to DTC is the responsibility of the Fund, disbursement of such payments to direct participants is the responsibility of DTC, and disbursement of such payments to the beneficial owners is the responsibility of direct and indirect participants. Furthermore each beneficial owner must rely on the procedures of DTC to exercise any rights under the Securities. DTC may discontinue providing its services as securities depository with respect to the securities at any time by giving reasonable notice to the Fund. Under such circumstances, in the event that a successor securities depository is not obtained, certificates representing the Securities will be printed and delivered. B-58 Counsel and Independent Accountants Skadden, Arps, Slate, Meagher & Flom LLP, Four Times Square, New York, New York 10036 is special counsel to the Fund in connection with the issuance of Series D Preferred and/or Series E Auction Rate Preferred. PricewaterhouseCoopers LLP, independent accountants, 1177 Avenue of the Americas, New York, New York 10036, serve as auditors of the Fund and will annually render an opinion on the financial statements of the Fund. B-59 FINANCIAL STATEMENTS The audited financial statements included in the Semi-Annual Report to the Fund's Stockholders for the six months ended June 30, 2003, together with the report of PricewaterhouseCoopers LLP thereon, are also incorporated herein by reference from the Fund's Annual Report to Stockholders. All other portions of the Semi-Annual Report to Stockholders are not incorporated herein by reference and are not part of the Registration Statement. A copy of the Semi-Annual Report to Stockholders may be obtained without charge by writing to the Fund at its address at One Corporate Center, Rye, New York 10580-1422 or by calling the Fund toll-free at 800-GABELLI (422-3554). B-60 GLOSSARY "AA Financial Composite Commercial Paper Rate" on any date means (i) the interest equivalent of the 7-day rate, in the case of a Dividend Period of 7 days or shorter; for Dividend Periods greater than 7 days but fewer than or equal to 31 days, the 30-day rate; for Dividend Periods greater than 31 days but fewer than or equal to 61 days, the 60-day rate; for Dividend Periods greater than 61 days but fewer than or equal to 91 days, the 90 day rate; for Dividend Periods greater than 91 days but fewer than or equal to 270 days, the rate described in (ii) below; for Dividend Periods greater than 270 days, the Treasury Index Rate; on commercial paper on behalf of issuers whose corporate bonds are rated "AA" by S&P, or the equivalent of such rating by another nationally recognized rating agency, as announced by the Federal Reserve Bank of New York for the close of business on the Business Day immediately preceding such date; or (ii) if the Federal Reserve Bank of New York does not make available such a rate, then the arithmetic average of the interest equivalent of such rates on commercial paper placed on behalf of such issuers, as quoted on a discount basis or otherwise by the Commercial Paper Dealers to the Auction Agent for the close of business on the Business Day immediately preceding such date (rounded to the next highest .001 of 1%). If any Commercial Paper Dealer does not quote a rate required to determine the "AA" Financial Composite Commercial Paper Rate, such rate will be determined on the basis of the quotations (or quotation) furnished by the remaining Commercial Paper Dealers (or Dealer), if any, or, if there are no such Commercial Paper Dealers, by the Auction Agent pursuant to instructions from the Fund. For purposes of this definition, (A) "Commercial Paper Dealers" will mean (1) Citigroup Global Markets Inc., Lehman Brothers Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Goldman Sachs & Co.; (2) in lieu of any thereof, its respective affiliate or successor; and (3) in the event that any of the foregoing will cease to

quote rates for commercial paper of issuers of the sort described above, in substitution therefor, a nationally recognized dealer in commercial paper of such issuers then making such quotations selected by the Fund, and (B) "interest equivalent" of a rate stated on a discount basis for commercial paper of a given number of days maturity will mean a number equal to the quotient (rounded upward to the next higher one-thousandth of 1%) of (1) such rate expressed as a decimal, divided by (2) the difference between (x) 1.00 and (y) a fraction, the numerator of which will be the product of such rate expressed as a decimal, multiplied by the number of days in which such commercial paper will mature and the denominator of which will be 360. "Adjusted Value" of each Eligible Asset shall be computed as follows: (i) cash shall be valued at 100% of the face value thereof; and (ii) all other Eligible Assets shall be valued at the applicable Discounted Value thereof; and (iii) each asset that is not an Eligible Asset shall be valued at zero.

"Administrator" means the other party to the Administration Agreement with the Fund, which shall initially be Gabelli Funds, LLC, a New York limited liability company, and will include, as appropriate, any sub-administrator appointed by the Administrator. "Advance Rate" means (a) so long as S&P is rating the Series E Preferred Stock at the Corporation's request, the Advance Rates set forth in the definition of S&P Rating Factor or (b) any applicable advance rate established by any Other Rating Agency, whichever is applicable. "Affiliate" means, with respect to the Auction Agent, any person known to the Auction Agent to be controlled by, in control of or under common control with the Fund; provided, however, that no Broker-Dealer controlled by, in control of or under common control with the Fund will be deemed to be an Affiliate nor will any Person controlled by, in control of or under common control with such Person one of the directors or executive officers of which is director of the Fund be deemed to be an Affiliate solely because such director or executive officer is also a director of the Fund. A-1 "Agent Member" means a member of or a participant in the Securities Depository that will act on behalf of a Bidder. "All Hold Rate" means 80% of the "AA" Financial Composite Commercial Paper Rate. "Applicable Rate" means, with respect to the Series E Auction Rate Preferred, for each Dividend Period (i) if Sufficient Clearing Bids exist for the Auction in respect thereof, the Winning Bid Rate, (ii) if Sufficient Clearing Orders do not exist for the Auction in respect thereof or an Auction does not take place with respect to such Dividend Period because of the commencement of a Default Period that ends prior to an Auction Date, the Maximum Rate and (iii) if all Series E Auction Rate Preferred is the subject of Submitted Hold Orders for the Auction in respect thereof, the All Hold Rate. "Auction" means each periodic operation of the Auction Procedures. "Auction Agent" means The Bank of New York unless and until another commercial bank, trust company, or other financial institution appointed by a resolution of the Board of Directors enters into an agreement with the Fund to follow the Auction Procedures for the purpose of determining the Applicable Rate. "Auction Date" means the last day of the initial Dividend Period and each seventh day after the immediately preceding Auction Date; provided, however, that if any such seventh day is not a Business Day, such Auction Date shall be the first preceding day that is a Business Day and the next Auction Date, if for a Standard Dividend Period, shall (subject to the same advancement procedure) be the seventh day after the date that the preceding Auction Date would have been if not for the advancement procedure; provided further, however, that the Auction Date for the Auction at the conclusion of any Special Dividend Period shall be the last Business Day in such Special Dividend Period and that no more than one Auction shall be held during any Dividend Period; provided, further, however, that the Auction Date following a Default Period shall be the last Business Day in the Standard Dividend Period that commenced during such Default Period. Notwithstanding the foregoing, in the event an auction is not held because an unforeseen event or unforeseen events cause a day that otherwise would have been an Auction Date not to be a Business Day, then the length of the then-current dividend period will be extended by seven days (or a multiple thereof if necessary because of such unforeseen event or events). "Auction Procedures" means the procedures for conducting Auctions described in "Additional Information Concerning the Auction for Series E Auction Rate Preferred." "Available Series E Auction Rate Preferred" has the meaning set forth in "Additional Information Concerning the Auction for Series E Auction Rate Preferred -- Determination of Sufficient Clearing Bids, Winning Bid Rate and Applicable Rate." "Basic Maintenance Amount" has the meaning set forth in "Additional Information Concerning The Series D Preferred and Series E Auction Rate Preferred -- Asset Maintenance." "Basic Maintenance Report" means, with respect to the Series E Auction Rate Preferred, a report prepared by the Administrator which sets forth, as of the related Monthly Valuation Date, (i) Moody's Eligible Assets and S&P Eligible Assets sufficient to meet or exceed the Basic Maintenance Amount, (ii) the Market Value and Discounted Value thereof (seriatim and in the aggregate), (iii) the Basic Maintenance Amount, and (iv) the net asset value of the Fund. Such report will also include (A) the month-end closing A-2 price for the Common Stock of the Fund (B) the monthly total-return per Common Stock, which will be

determined based upon month-end closing share prices, assuming reinvestment of all dividends paid during such month and (C) the total leverage positions of the Fund. For the purposes of this Articles Supplementary, "Basic Maintenance Report" or "Report" shall have a correlative meaning with respect to any other class or series of Preferred Stock. "Beneficial Owner" with respect to Series E Auction Rate Preferred, means a customer of a Broker-Dealer who is listed on the records of that Broker-Dealer (or, if applicable, the Auction Agent) as a holder of such shares of such series. "Bid" has the meaning set forth in "Additional Information Concerning the Auction for the Series E Auction Rate Preferred -- Orders by Existing Holders and Potential Holders." "Bidder" has the meaning set forth in "Additional Information Concerning the Auction for Series E Auction Rate Preferred -- Orders by Existing Holders and Potential Holders." "Board of Directors" or "Board" means the Board of Directors of the Fund or any duly authorized committee thereof as permitted by applicable law. "Broker-Dealer" means any broker-dealer or broker-dealers, or other entity permitted by law to perform the functions required of a Broker-Dealer by the Auction Procedures, that has been selected by the Fund and has entered into a Broker-Dealer Agreement that remains effective. "Broker-Dealer Agreement" means an agreement between the Auction Agent and a Broker-Dealer, pursuant to which such Broker-Dealer agrees to follow the Auction Procedures. "Business Day" means a day on which the New York Stock Exchange is open for trading and which is not a Saturday, Sunday or other day on which banks in The City of New York, New York are authorized or obligated by law to close. "By-Laws" means the By-Laws of the Fund, as amended from time to time. "Charter" means the Articles of Incorporation of the Fund, as amended or supplemented (including the Articles Supplementary), as filed with the State Department of Assessments and Taxation of the State of Maryland. "Code" means the Internal Revenue Code of 1986, as amended. "Common Stock" means the shares of the Fund's common stock, par value \$.001 per share. "Cure Date" has the meaning set forth in paragraph 3(a)(i) of Article II of the Articles Supplementary for the Series D Preferred and paragraph 3(a)(ii) of Article I of the Articles Supplementary for the Series E Auction Rate Preferred. "Date of Original Issue" means the date on which the Series D Preferred or Series E Auction Rate Preferred, as the case may be, is originally issued by the Fund. A-3 "Default Period" has the meaning set forth in "Additional Information Concerning the Series D Preferred and Series E Auction Rate Preferred -- Dividends and Dividend Period." "Default Rate" means the Reference Rate multiplied by three (3). "Deposit Assets" means cash, Short-Term Money Market Instruments and U.S. Government Obligations. Except for determining whether the Fund has Eligible Assets with an Adjusted Value equal to or greater than the Basic Maintenance Amount, each Deposit Asset shall be deemed to have a value equal to its principal or face amount payable at maturity plus any interest payable thereon after delivery of such Deposit Asset but only if payable on or prior to the applicable payment date in advance of which the relevant deposit is made. "Discount Factor" means (i) so long as Moody's is rating the Series D Preferred or Series E Auction Rate Preferred at the Fund's request, the Moody's Discount Factor, (ii) so long as S&P is rating the Series E Auction Rate Preferred, the S&P Discount Factor, and/or (iii) any applicable discount factor established by any Other Rating Agency, whichever is applicable. "Discounted Value" means, as applicable, (i) the quotient of the Market Value of an Eligible Asset divided by the applicable Discount Factor, or (ii) such other formula for determining the discounted value of an Eligible Asset as may be established by an applicable Rating Agency, provided that with respect to an Eligible Asset that is currently callable, Discounted Value will be equal to the applicable quotient or product as calculated above or the call price, whichever is lower, and that with respect to an Eligible Asset that is prepayable, Discounted Value will be equal to the applicable quotient or product as calculated above or the par value, whichever is lower. "Dividend Default" has the meaning set forth in "Additional Information Concerning the Series D Preferred and Series E Auction Rate Preferred -- Dividends and Dividend Period." "Dividend Payment Date" means, with respect to the Series D Preferred, any date on which dividends declared by the Board of Directors thereon are payable pursuant to the provisions of paragraph 1(a) of Article II of the Articles Supplementary of the Series D Preferred, and, with respect to the Series E Auction Rate Preferred, any date on which dividends declared by the Board of Directors thereon are payable pursuant to the provisions of paragraph 2(b) of Article I of the Articles Supplementary, for the Series E Auction Rate Preferred, and shall have a correlative meaning with respect to any other class or series of Preferred Stock. "Dividend Period" means, with respect to Series D Preferred, the quarterly dividend specified in paragraph 1(a) of Article II of the Articles Supplementary for the Series D Preferred and, with respect to Series E Auction Rate Preferred, the initial period determined in the manner set forth under "Designation" in the Articles Supplementary of the Series E Auction Rate Preferred, and thereafter, the period commencing on the Business Day following each Auction Date and ending on the next Auction Date or, if such next Auction Date is not immediately followed by a Business Day, on the latest day

prior to the next succeeding Business Day. "Eligible Assets" means Moody's Eligible Assets (if Moody's is then rating the Series D Preferred or Series E Auction Rate Preferred at the request of the Fund), S&P Eligible Assets (if S&P is then rating the Series E Auction Rate Preferred at the request of the Fund), and/or Other Rating Agency Eligible Assets if any Other Rating Agency is then rating the Series D Preferred or Series E Auction Rate Preferred, whichever is applicable. A-4 "Existing Holder" means (i) a person who beneficially owns those shares of Series E Auction Rate Preferred listed in that person's name in the records of the Fund or the Auction Agent or (ii) the beneficial owner of those shares of Series E Auction Rate Preferred which are listed under such person's Broker- Dealer's name in the records of the Auction Agent, which Broker-Dealer will have signed a master purchaser's letter. "Hold Order" has the meaning set forth in "Additional Information Concerning the Auction for Series E Auction Rate Preferred -- Orders By Existing Holders and Potential Holders." "Holder" means, with respect to the Series E Auction Rate Preferred, the registered holder of Series E Auction Rate Preferred shares as the same appears on the stock ledger or stock records of the Fund or records of the Auction Agent, as the case may be. "Industry Classification" means a six-digit industry classification in the Standard Industry Classification system published by the United States. "Liquidation Preference" means \$25 per share of Series D Preferred and \$25,000 per share of Series E Auction Rate Preferred and will have a correlative meaning with respect to shares of any other class or series of Preferred Stock. "Market Capitalization" means, with respect to any issue of common stock, as of any date, the product of (i) the number of shares of such common stock issued and outstanding as of the close of business on the date of determination thereof and (ii) the Market Value per share of such common stock as of the close of business on the date of determination thereof. "Market Value" means the amount determined by the Fund with respect to specific Eligible Assets in accordance with valuation policies adopted from time to time by the Board of Directors as being in compliance with the requirements of the 1940 Act. Notwithstanding the foregoing, "Market Value" may, at the option of the Fund with respect to any of its assets, mean the amount determined with respect to specific Eligible Assets of the Fund in the manner set forth below: (i) as to any common or preferred stock which is an Eligible Asset, (a) if the stock is traded on a national securities exchange or quoted on the Nasdaq System, the last sales price reported on the Valuation Date or (b) if there was no reported sales price on the Valuation Date, the price obtained from a Pricing Service as of the Valuation Date, or (c) if there was no reported sales price on the Valuation Date or price available from a Pricing Service, the lower of two bid prices for such stock provided to the Administrator by two recognized securities dealers with a minimum capitalization of \$25,000,000 (or otherwise approved for such purpose by Moody's and S&P) at least one of which will be provided in writing or by telecopy, telex, other electronic transcription, computer obtained quotation reducible to written form or similar means, and in turn provided to the Fund by any such means by such administrator, or, if two bid prices cannot be obtained, such Eligible Asset will have a Market Value of zero; A-5 (ii) as to any U.S. Government Obligation, Short-Term Money Market Instrument (other than demand deposits, federal funds, bankers' acceptances and next Business Day repurchase agreements) and commercial paper, with a maturity of greater than 60 days, the product of (a) the principal amount (accreted principal to the extent such instrument accretes interest) of such instrument and (b) the price provided by a Pricing Service or, if not obtainable through a Pricing Service, the lower of the bid prices for the same kind of instruments having, as nearly as practicable, comparable interest rates and maturities provided by two recognized securities dealers having minimum capitalization of \$25,000,000 (or otherwise approved for such purpose by Moody's and S&P) to the administrator, at least one of which will be provided in writing or by telecopy, telex, other electronic transcription, computer obtained quotation reducible to written form or similar means, and in turn provided to the Fund by any such means by such administrator, or, if two bid prices cannot be obtained, such Eligible Asset will have a Market Value of zero; (iii) as to cash, demand and timed deposits, federal funds, bankers' acceptances and next Business Day repurchase agreements included in Short-Term Money Market Instruments, the face value thereof; (iv) as to any U.S. Government Obligation, Short-Term Money Market Instrument or commercial paper with a maturity of 60 days or fewer, amortized cost unless the Board of Directors determines that such value does not constitute fair value; or (v) as to any other evidence of indebtedness which is an Eligible Asset, (a) the product of (1) the unpaid principal balance of such indebtedness as of the Valuation Date and (2)(A) if such indebtedness is traded on a national securities exchange or quoted on the Nasdaq System, the last sales price reported on the Valuation Date or (B) if there was no reported sales price on the Valuation Date and if such indebtedness is not traded on a national securities exchange or quoted on the Nasdaq System, the price obtained from a Pricing Service as of the Valuation Date or (C) if there was no reported sales price on the Valuation Date or if such indebtedness is not traded on a national securities exchange or quoted on the Nasdaq System, and a price was not obtainable from a

Pricing Service as of the Valuation Date, the lower of two bid prices for such indebtedness provided by two recognized dealers with a minimum capitalization of \$25,000,000 (or otherwise approved for such purpose by Moody's and S&P) to the administrator of the Fund's assets, at least one of which will be provided in writing or by telecopy, telex, other electronic transcription, computer obtained quotation reducible to written form or similar means, and in turn provided to the Fund by any such means by such administrator, plus (b) accrued interest on such indebtedness. Notwithstanding the foregoing, in the case of Preferred Stock that is rated by a single Rating Agency, "Market Value" shall have the meaning set forth in the Articles Supplementary of such Preferred Stock. A-6

"Maximum Rate" means, on any date on which the Applicable Rate is determined, the applicable percentage of (i) in the case of a dividend period of 184 days or less, the "AA" Financial Composite Commercial Paper Rate on the date of such Auction determined as set forth below based on the lower of the credit ratings assigned to the Series E Auction Rate Preferred by Moody's and S&P subject to upward but not downward adjustment in the discretion of the Board of Directors after consultation with the Broker-Dealers; provided that immediately following any such increase the Fund would be in compliance with the Basic Maintenance Amount or (ii) in the case of a dividend period of longer than 184 days, the Treasury Index Rate. Credit Ratings for Series E Auction Rate Preferred Moody's Credit Rating S&P Credit Rating Applicable Percentage ----- Aa3 or higher AA- or higher 150% A3 to A1 A- to A+ 175% Baa3 to Baa1 BBB- to BBB+ 250% Below Baa3 Below BBB- 275% "Moody's" means Moody's Investors Service, Inc. and its successors at law. "Moody's Discount Factor" has the meaning ascribed to it in "Moody's and S&P Guidelines -- Moody's Guidelines." "Moody's Eligible Assets" has the meaning ascribed to it in "Moody's and S&P Guidelines -- Moody's Guidelines." "1940 Act" means the Investment Company Act of 1940, as amended, or any successor statute. "1940 Act Asset Coverage" means asset coverage, as determined in accordance with Section 18(h) of the 1940 Act, of at least 200% with respect to all outstanding senior securities of the Fund which are stock, including all Outstanding shares of Series D Preferred and Series E Auction Rate Preferred (or such other asset coverage as may in the future be specified in or under the 1940 Act as the minimum asset coverage for senior securities which are stock of a closed-end investment company as a condition of declaring dividends on its common stock), determined on the basis of values calculated as of a time within 48 hours (not including Saturdays, Sundays or holidays) next preceding the time of such determination. "1940 Act Asset Coverage Certificate" means the certificate required to be delivered by the Fund pursuant to paragraph 9(a)(i)(B) of Article I of the Articles Supplementary of the Series E Auction Rate Preferred. "Non-Call Period" means a period determined by the Board of Directors after consultation with the Broker-Dealers, during which the Series E Auction Rate Preferred subject to such Special Dividend Period are not subject to redemption at the option of the Fund but only to mandatory redemption. "NRSRO" means a Nationally Recognized Statistical Ratings Organization. A-7 "Order" has the meaning set forth in "Additional Information Concerning the Auction for Series E Auction Rate Preferred -- Orders By Existing Holders and Potential Holders." "Other Rating Agency" means any rating agency other than Moody's or S&P then providing a rating for the Series E Auction Rate Preferred pursuant to the request of the Fund. "Other Rating Agency Eligible Assets" means assets of the Fund designated by any Other Rating Agency as eligible for inclusion in calculating the discounted value of the Fund's assets in connection with such Other Rating Agency's rating of the Series E Auction Rate Preferred. "Outstanding" means, as of any date, Preferred Stock theretofore issued by the Fund except: (i) any such share of Preferred Stock theretofore cancelled by the Fund or delivered to the Fund for cancellation; (ii) any such share of Preferred Stock other than auction rate Preferred Stock as to which a notice of redemption will have been given and for whose payment at the redemption thereof Deposit Assets in the necessary amount are held by the Fund in trust for, or have been irrevocably deposited with the relevant disbursing agent for payment to, the holder of such share pursuant to the Articles Supplementary with respect thereto; (iii) in the case of auction rate Preferred Stock, any such stock theretofore delivered to the applicable auction agent for cancellation or with respect to which the Fund has given notice of redemption and irrevocably deposited with the applicable paying agent sufficient funds to redeem such shares; and (iv) any such Preferred Stock in exchange for or in lieu of which other shares have been issued and delivered. Notwithstanding the foregoing, (x) for purposes of voting rights (including the determination of the number of shares required to constitute a quorum), any Preferred Stock as to which the Fund or any subsidiary is the holder or Existing Holder, as applicable, will be disregarded and deemed not Outstanding; and (y) in connection with any auction, any auction rate Preferred Stock as to which the Fund or any Person known to the auction agent to be an subsidiary is the holder or Existing Holder, as applicable, will be disregarded and not deemed Outstanding. "Paying Agent" means with respect to Series E Auction Rate Preferred, The Bank of New York unless and until another entity

appointed by a resolution of the Board of Directors enters into an agreement with the Fund to serve as paying agent, which paying agent may be the same as the Auction Agent and, with respect to any other class or series of preferred stock, the Person appointed by the Fund as dividend disbursing or paying agent with respect to such class or series. "Person" means and includes an individual, a partnership, the Fund, a trust, a corporation, a limited liability company, an unincorporated association, a joint venture or other entity or a government or any agency or political subdivision thereof. A-8 "Potential Beneficial Owner or Holder" means (i) any Existing Holder who may be interested in acquiring additional shares of Series E Auction Rate Preferred or (ii) any other person who may be interested in acquiring shares of Series E Auction Rate Preferred and who has signed a master purchaser's letter or whose shares will be listed under such person's Broker-Dealer's name on the records of the Auction Agent which Broker-Dealer will have executed a master purchaser's letter. "Preferred Stock" means the preferred stock, par value \$.001 per share, of the Fund, and includes the Series D Preferred and Series E Auction Rate Preferred. "Premium Call Period" means a period consisting of a number of whole years as determined by the Board of Directors after consultation with the Broker-Dealers, during each year of which the shares subject to such Special Dividend Period will be redeemable at the Fund's option at a price per share equal to the Liquidation Preference plus accumulated but unpaid dividends (whether or not earned or declared) plus a premium expressed as a percentage or percentages of the Liquidation Preference or expressed as a formula using specified variables as determined by the Board of Directors after consultation with the Broker-Dealers. "Pricing Service" means any of the following: Bloomberg Financial Service, Bridge Information Services, Data Resources Inc., FT Interactive, International Securities Market Association, Merrill Lynch Securities Pricing Service, Muller Data Corp., Reuters, S&P/J.J. Kenny, Telerate, Trepp Pricing and Wood Gundy. "Rating Agency" means Moody's and S&P as long as such rating agency is then rating the Series D Preferred or the Series E Auction Rate Preferred at the request of the Fund, or any other rating agency then rating the Series D Preferred or the Series E Auction Rate Preferred at the request of the Fund. "Rating Agency Guidelines" has the meaning set forth in set forth in "Moody's and S&P Guidelines." "Redemption Date" means, with respect to shares of the Fund's Outstanding Preferred Stock, the date fixed by the Fund for the redemption of such shares. "Redemption Default" has the meaning set forth in "Additional Information Concerning the Series D Preferred and Series E Auction Rate Preferred -- Dividends and Dividend Period." "Redemption Price" means, with respect to the Series D Preferred, the price set forth in paragraph 3(a) of Article II of the Articles Supplementary for the Series D Preferred and, with respect to the Series E Auction Rate Preferred, the price set forth in paragraph 3(a)(i) of Article I of the Articles Supplementary for the Series E Auction Rate Preferred. "Reference Rate" means, with respect to the determination of the Default Rate, the applicable "AA" Financial Composite Commercial Paper Rate for a Dividend Period of 184 days or fewer or the applicable Treasury Index Rate for a Dividend Period of longer than 184 days and, with respect to the determination of the Maximum Rate, the "AA" Financial Composite Commercial Paper Rate or the Treasury Index Rate, as appropriate. "S&P" means Standard & Poor's Ratings Services, or its successors at law. "S&P Discount Factor" has the meaning set forth in "Moody's and S&P Guidelines -- S&P Guidelines." A-9 "S&P Eligible Assets" has the meaning set forth in "Moody's and S&P Guidelines -- S&P Guidelines." "S&P Hedging Transactions" has the meaning set forth in "Moody's and S&P Guidelines -- S&P Guidelines." "SEC" means the United States Securities and Exchange Commission "Securities Act" means The Securities Act of 1933, as amended, or any successor statute. "Securities Depository" means The Depository Trust Company and its successors and assigns or any successor securities depository selected by the Fund that agrees to follow the procedures required to be followed by such securities depository in connection with the shares of Series D Preferred or Series E Auction Rate Preferred. "Sell Order" has the meaning set forth in "Additional Information Concerning the Auction for Series E Auction Rate Preferred -- Orders by Existing Holders and Potential Holders." "Series B Preferred" means the Fund's 7.20% Cumulative Preferred Stock, \$.001 par value per share and liquidation preference \$25 per share. "Series C Auction Rate Preferred" means the Fund's Series C Auction Rate Cumulative Preferred Stock. "Series D Preferred" means the Fund's Series D Cumulative Preferred Stock, \$.001 par value per share and liquidation preference \$25 per share. "Series E Auction Rate Preferred" means the Fund's Series E Auction Rate Cumulative Preferred Stock, \$.001 par value per share and liquidation preference \$25,000 per share. "Series E Auction Rate Preferred Basic Maintenance Amount Test" means a test which is met if the lower of the aggregate Discounted Values of the Moody's Eligible Assets or the S&P Eligible Assets if both Moody's and S&P are then rating the Series E Auction Rate Preferred at the request of the Fund, or the Eligible Assets of whichever of Moody's or S&P is then doing so if only one of Moody's or S&P is then rating the Series E Auction Rate Preferred at the request of the Fund, meets or exceeds the Basic

Maintenance Amount with respect to the Series E Auction Rate Preferred. "Short-Term Money Market Instrument" means the following types of instruments if, on the date of purchase or other acquisition thereof by the Fund, the remaining term to maturity thereof is not in excess of 180 days: (i) commercial paper rated A-1 if such commercial paper matures in 30 days, or A-1+ if such commercial paper matures in over 30 days; (ii) AAAM rated money market funds (iii) demand or time deposits in, and banker's acceptances and certificates of deposit of (A) a depository institution or trust company incorporated under the laws of the United States of America or any state thereof or the District of Columbia or (B) a United States branch A-10 office or agency of a foreign depository institution (provided that such branch office or agency is subject to banking regulation under the laws of the United States, any state thereof or the District of Columbia) or (C) A-1+ rated institutions; (iv) overnight funds; and (v) U.S. Government Obligations. Notwithstanding the foregoing, in the case of Preferred Stock that is rated by a single Rating Agency, "Short-Term Money Market Instruments" shall have the meaning set forth in the Articles Supplementary of such Preferred Stock. "Special Dividend Period" means a Dividend Period that is not a Standard Dividend Period. "Specific Redemption Provisions" means, with respect to any Special Dividend Period of more than one year, either, or any combination of (i) a Non-Call Period and (ii) a Premium Call Period. "Standard Dividend Period" means a Dividend Period of seven days, subject to increase or decrease to the extent necessary for the next Auction Date and Dividend Payment Date to each be Business Days. "Submission Deadline" means 1:30 p.m., New York City time, on any Auction Date or such other time on any Auction Date by which Broker-Dealers are required to submit Orders to the Auction Agent as specified by the Auction Agent from time to time. "Submitted Bid" has the meaning set forth in "Additional Information Concerning the Auction for Series E Auction Rate Preferred -- Determination of Sufficient Clearing Bids, Winning Bids, Winning Bid Rate and Applicable Rate." "Submitted Bid Order" has the meaning set forth in "Additional Information Concerning the Auction for Series E Auction Rate Preferred -- Determination of Sufficient Clearing Bids, Winning Bids, Winning Bid Rate and Applicable Rate." "Submitted Hold Order" has the meaning set forth in "Additional Information Concerning the Auction for Series E Auction Rate Preferred -- Determination of Sufficient Clearing Bids, Winning Bids, Winning Bid Rate and Applicable Rate." "Submitted Order" has the meaning set forth in "Additional Information Concerning the Auction for Series E Auction Rate Preferred -- Determination of Sufficient Clearing Bids, Winning Bids, Winning Bid Rate and Applicable Rate." "Submitted Sell Order" has the meaning set forth in "Additional Information Concerning the Auction for Series E Auction Rate Preferred -- Determination of Sufficient Clearing Bids, Winning Bids, Winning Bid Rate and Applicable Rate." "Sufficient Clearing Bids" has the meaning set forth in "Additional Information Concerning the Auction for Series E Auction Rate Preferred -- Determination of Sufficient Clearing Bids, Winning Bids, Winning Bid Rate and Applicable Rate." A-11 "Sufficient Clearing Orders" means that all shares of Series E Auction Rate Preferred are the subject of Submitted Hold Orders or that the number of shares of Series E Auction Rate Preferred that are the subject of Submitted Bids by Potential Holders specifying one or more rates equal to or less than the Maximum Rate exceeds or equals the sum of (i) the number of shares of Series E Auction Rate Preferred that are subject of Submitted Bids by Existing Holders specifying one or more rates higher than the Maximum Rate and (ii) the number of shares of Series E Auction Rate Preferred that are subject to Submitted Sell Orders. "Treasury Index Rate" means the average yield to maturity for actively traded marketable U.S. Treasury fixed interest rate securities having the same number of 30-day periods to maturity as the length of the applicable Dividend Period, determined, to the extent necessary, by linear interpolation based upon the yield for such securities having the next shorter and next longer number of 30-day periods to maturity treating all Dividend Periods with a length greater than the longest maturity for such securities as having a length equal to such longest maturity, in all cases based upon data set forth in the most recent weekly statistical release published by the Board of Governors of the Federal Reserve System (currently in H.15 (519)); provided, however, if the most recent such statistical release will not have been published during the 15 days preceding the date of computation, the foregoing computations will be based upon the average of comparable data as quoted to the Fund by at least three recognized dealers in U.S. Government Obligations selected by the Fund. "U.S. Government Obligations" means direct obligations of the United States or by its agencies or instrumentalities that are entitled to the full faith and credit of the United States and that, other than United States Treasury Bills, provide for the periodic payment of interest and the full payment of principal at maturity or call for redemption. "Valuation Date" means the last Business Day of each week, or such other date as the Fund and Rating Agencies may agree to for purposes of determining the Basic Maintenance Amount. Notwithstanding the foregoing, in the case of Preferred Stock that is rated by a single Rating Agency, "Valuation Date" shall have the meaning set forth in the Articles

Supplementary of such Preferred Stock. "Winning Bid Rate" means the lowest rate specified in the Submitted Bids which if: (i) (a) each such Submitted Bid of Existing Holders specifying such lowest rate and (b) all other such Submitted Bids of Existing Holders specifying lower rates were rejected, thus entitling such Existing Holders to continue to hold the shares of such series that are subject to such Submitted Bids; and (ii) (a) each such Submitted Bid of Potential Holders specifying such lowest rate and (b) all other such Submitted Bids of Potential Holders specifying lower rates were accepted; would result in such Existing Holders described in subclause (i) above continuing to hold an aggregate number of shares of Outstanding Series E Auction Rate Preferred which, when added to the number of shares of Outstanding Series E Auction Rate Preferred to be purchased by such Potential Holders described in subclause (ii) above, would equal not less than the Available shares of Series E Auction Rate Preferred.

A-12 PART C OTHER INFORMATION ITEM 24. FINANCIAL STATEMENTS AND EXHIBITS (1) Financial Statements (a) Financial Statements (audited) for the fiscal year 2002 (1) (i) Portfolio of Investments as of December 31, 2002 (ii) Statement of Assets and Liabilities as of December 31, 2002 (iii) Statement of Operations for the year ended December 31, 2002 (iv) Statement of Changes in Net Assets for the year ended December 31, 2002 (v) Financial highlights for a share outstanding throughout the periods 1994 through 2002 (vi) Notes to Financial Statements (vii) Report of Independent Accountants (2) Exhibits (a) (i) Articles of Incorporation (2) (ii) Articles Supplementary for the 7.20% Tax Advantaged Cumulative Preferred Stock (3) (iii) Articles Supplementary for the Series C Auction Rate Cumulative Preferred Stock (5) (iv) Form of Articles Supplementary for the ___% Series D Cumulative Preferred Stock (10) (v) Form of Articles Supplementary for the Series E Auction Rate Cumulative Preferred Stock (10) (b) Amended and Restated By-Laws of Registrant (3) (c) Not applicable (d) (i) Specimen Stock Certificate: (A) 7.20% Tax Advantaged Series B Cumulative Preferred Stock (3) 1 (B) Series C Auction Rate Cumulative Preferred Stock (5) (C) ___% Series D Cumulative Preferred Stock (10) (D) Series E Auction Rate Cumulative Preferred Stock (10) (e) Automatic Dividend Reinvestment and Voluntary Cash Purchase Plan of Registrant (2) (f) Not applicable (g) Investment Advisory Agreement between Registrant and Gabelli Funds, LLC (6) (h) Form of Underwriting Agreement (9) (i) Not applicable (j) Custodian Contract between Registrant and State Street Bank and Trust Company (9) (k) (i) Registrar, Transfer Agency and Service Agreement between Registrant and EquiServe Trust Company (6) (ii) Transfer Agent and Registrar Services Fee Agreement (6) (iii) Form of Auction Agency Agreement for the Series C Auction Rate Cumulative Preferred Stock (5) (iv) Form of Auction Agency Agreement for the Series E Auction Rate Preferred Stock (10) (v) Form of Broker-Dealer Agreement for the Series C Auction Rate Cumulative Preferred Stock (5) (vi) Form of Broker-Dealer Agreement for the Series E Auction Rate Cumulative Preferred Stock (10) (vii) Form of DTC Agreement (10) (1) Opinion and Consent of Miles & Stockbridge (9) (m) Not applicable (n) (i) Consent of independent accountant (10) (ii) Powers of Attorney (7) (o) Not applicable (p) Not applicable 2 (q) Not Applicable (r) Codes of Ethics of the Fund and the Adviser (4) (1) Incorporated by reference to the Fund's annual report filed on March 10, 2003. (2) Incorporated by reference from the Registrant's Pre-Effective Amendment No. 2 to the Fund's Registration Statement on Form N-2 Nos. 333-45951 and 811-4700; as filed with the Securities and Exchange Commission on February 10, 1998. (3) Incorporated by reference from the Registrant's Pre-Effective Amendment No. 1 to the Fund's Registration Statement on Form N-2 Nos. 333-47012 and 811-4700; as filed with the Securities and Exchange Commission on June 11, 2001. (4) Incorporated by reference from the Registrant's Pre-Effective Amendment No. 2 to the Fund's Registration Statement on Form N-2 Nos. 333-62323 and 811-4700; as filed with the Securities and Exchange Commission on December 12, 2000. (5) Incorporated by reference from the Registrant's Pre-Effective Amendment No. 3 to the Fund's Registration Statement on Form N-2 Nos. 333-86554 and 811-4700; as filed with the Securities and Exchange Commission on June 25, 2002. (6) Incorporated by reference from the Registrant's Pre-Effective Amendment No. 1 to the Fund's Registration Statement on Form N-2 Nos. 333-62323 and 811-4700; as filed with the Securities and Exchange Commission on October 13, 1995. (7) Incorporated by reference from the Registrant's Pre-Effective Amendment No. 1 to the Fund's Registration Statement on Form N-2 Nos. 333-86554 and 811-4700; as filed with the Securities and Exchange Commission on June 4, 2002. (8) Incorporated by reference from the Registrant's Pre-Effective Amendment No. 2 to the Fund's Registration Statement on Form N-2 Nos. 333-47012 and 811-4700; as filed with the Securities and Exchange Commission on June 18, 2002. (9) To be filed by amendment. (10) Filed herewith.

Item 25. Marketing Arrangements See Exhibit 2(h) to this Registration Statement.

Item 26. Other Expenses of Issuance and Distribution The following table sets forth the estimated expenses to be incurred in connection with the offering described in this Registration Statement:

3 Series D Series E Preferred Auction Rate -----	SEC registration fees	\$ 6,068	\$ 4,045	New York Stock
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Exchange listing fee	36,900	n/a	Rating Agency Fees	25,000
25,000 Printing and engraving expenses	50,000	50,000	Auditing fees and expenses	25,000
.....	25,000	25,000	Legal fees and expenses	75,000
.....	20,000	20,000	Miscellaneous.....	12,032
----- Total.....	\$250,000	\$240,000		

Item 27. Persons Controlled by or Under Common Control with Registrant NONE

Item 28. Number of Holders of Securities as of December 31, 2002
 Number of Record Title of Class Holders ----- Common Stock, par value \$.001 per share 80,063 7.25%
 Cumulative Preferred Stock, par value \$.001 per share 8,597 7.20% Cumulative Preferred Stock, par value \$.001 per share 8,435 Series C Auction Rate Cumulative Preferred Stock, par value \$.001 per share 1

Item 29. Indemnification
 The response of this Item is incorporated by reference to the caption "Limitation of Officers' and Directors Liability" in the Part B of this Registration Statement. Insofar as indemnification for liability arising under the Securities Act may be permitted to directors, officers and controlling persons of Registrant pursuant to the foregoing provisions, or otherwise, Registrant has been advised that, in the opinion of the Commission, such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by Registrant of expenses incurred or paid by a director, officer or controlling person of Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered. Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

Item 30. Business and Other Connections of Investment Adviser
 The Investment Adviser, a limited liability company organized under the laws of the State of New York, acts as investment adviser to the Registrant. The Registrant is fulfilling the requirement of this Item 4 30 to provide a list of the officers and directors of the Investment Adviser, together with information as to any other business, profession, vocation or employment of a substantial nature engaged in by the Investment Adviser or those officers and directors during the past two years, by incorporating by reference the information contained in the Form ADV of the Investment Adviser filed with the commission pursuant to the Investment Advisers Act of 1940 (Commission File No. 801-26202).

Item 31. Location of Accounts and Records
 The accounts and records of the Registrant are maintained in part at the office of the Investment Adviser at One Corporate Center, Rye, New York 10580-1422, in part at the offices of the Custodian, Boston Safe Deposit and Trust Company, One Boston Place, Boston, Massachusetts 02108, at the offices of the Fund's Administrator, PFPC, Inc, 3200 Horizon Drive, King of Prussia, Pennsylvania 19406, and in part at the offices of EquiServe Trust Company, N.A., PO Box 43025, Providence, RI 02940-3025.

Item 32. Management Services Not applicable.

Item 33. Undertakings
 1. Registrant undertakes to suspend the offering of shares until the prospectus is amended, if subsequent to the effective date of this registration statement, its net asset value declines more than ten percent from its net asset value, as of the effective date of the registration statement or its net asset value increases to an amount greater than its net proceeds as stated in the prospectus.
 2. Not applicable.
 3. Not applicable.
 4. The undersigned registrant hereby undertakes:
 1. To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement: (i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933; (ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424 (b) if, in the aggregate, the changes in volume and price represent no more than 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;
 5 (iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;
 2. To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.
 3. The undersigned registrant hereby undertakes to supplement the prospectus, after expiration of the subscription period, to set forth the results of the subscription offer, and the terms of any subsequent raftering thereof.
 5. 1. Registrant undertakes that, for the purpose of determining any liability under the Securities Act

the information omitted from the form of prospectus filed as part of the Registration Statement in reliance upon Rule 430A and contained in the form of prospectus filed by the Registrant pursuant to Rule 497(h) will be deemed to be a part of the Registration Statement as of the time it was declared effective. 2. Registrant undertakes that, for the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus will be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time will be deemed to be the initial bona fide offering thereof. 6. Registrant undertakes to send by first class mail or other means designed to ensure equally prompt delivery, within two business days of receipt of a written or oral request, any Statement of Additional Information constituting Part B of this Registration Statement. 6 SIGNATURES As required by the Securities Act of 1933 and the Investment Company Act of 1940, this Registrant's Registration Statement has been signed on behalf of the Registrant, in the City of Rye, State of New York, on the 30th day of September, 2003. THE GABELLI EQUITY TRUST INC. By: /s/ Bruce N. Alpert ----- Bruce N. Alpert President Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities set forth below on the 30th day of September, 2003. Signature Title * Director, Chairman and Chief ----- Investment Officer Mario J. Gabelli * Director ----- Thomas E. Bratter * Director ----- Anthony J. Colavita * Director ----- James P. Conn * Director ----- Frank J. Fahrenkopf, Jr. * Director ----- Arthur V. Ferrara * Director ----- Karl Otto Pohl * Director ----- Anthony R. Pustorino * Director ----- Salvatore J. Zizza /s/ Bruce N. Alpert President ----- Bruce N. Alpert Attorney-in-Fact * Pursuant to a Power of Attorney. 7 EXHIBIT INDEX EXHIBIT NUMBER DESCRIPTION EX-99 (a) (i) Articles of Incorporation* EX-99 (a) (ii) Articles Supplementary relating to the 7.20% Cumulative Preferred Stock* EX-99 (a) (iii) Articles Supplementary relating to the Series C Auction Rate Cumulative Preferred Stock* EX-99 (a) (iv) Form of Articles Supplementary relating to the ___% Series D Cumulative Preferred Stock EX-99 (a) (v) Form of Articles Supplementary relating to the Series E Auction Rate Cumulative Preferred EX-99 (b) Amended and Restated By-Laws* EX-99 (d) (i) (A) Specimen Stock Certificate, 7.20% Tax Advantaged Cumulative Preferred Stock* EX-99 (d) (i) (B) Specimen Stock Certificate, Series C Auction Rate Preferred Cumulative Preferred Stock* EX-99 (d) (i) (C) Specimen Stock Certificate, ___% Series D Cumulative Preferred Stock EX-99 (d) (i) (D) Specimen Stock Certificate, Series E Auction Rate Cumulative Preferred Stock EX-99 (e) Automatic Dividend Reinvestment and Voluntary Cash Purchase Plan* EX-99 (g) Investment Advisory Agreement between Registrant and Gabelli Funds, LLC* EX-99 (h) Form of Underwriting Agreement** EX-99 (j) Custodian Agreement between Registrant and State Street Bank and Trust Company* EX-99 (k) (i) Registrar, Transfer Agency and Service Agreement between Registrant and EquiServe Trust Company* EX-99 (k) (ii) Form of Auction Agency Agreement 8 EX-99 (k) (iii) Form of Broker-Dealer Agreement EX-99 (k) (iv) Form of DTC Agreement EX-99 (l) Opinion and Consent of Miles & Stockbridge** EX-99 (n) (i) Consent of PricewaterhouseCoopers LLP EX-99 (n) (ii) Powers of Attorney* EX-99 (r) Code of Ethics* *Previously filed and incorporated by reference. **To be filed by Amendment 9