

GABELLI DIVIDEND & INCOME TRUST

Form N-2/A

September 28, 2005

As filed with the Securities and Exchange Commission on September 27, 2005

Securities Act File No. 333-126480

Investment Company Act File No. 811-21423

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM N-2**

- Registration Statement under the Securities Act of 1933
- Pre-Effective Amendment No. 1
- Post-Effective Amendment No.

and/or

- Registration Statement under the Investment Company Act of 1940
- Amendment No. 11

(Check Appropriate Box or Boxes)

**THE GABELLI DIVIDEND & INCOME TRUST**

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(Exact Name of Registrant as Specified in Charter)

**One Corporate Center**  
**Rye, New York 10580-1422**  
(Address of Principal Executive Offices)

**(800) 422-3554**  
(Registrant's Telephone Number, Including Area Code)

**Bruce N. Alpert**  
**The Gabelli Dividend & Income Trust**  
**One Corporate Center**  
**Rye, New York 10580-1422**  
**(914) 921-5100**  
(Name and Address of Agent for Service)

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Approximate date of proposed public offering: As soon as practicable after the effective date of this Registration Statement.



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

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

When declared effective pursuant to section 8(c).

If appropriate, check the following box:

This [post-effective] amendment designates a new effective date for a previously filed [post-effective amendment] [registration statement].

This form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act and the Securities Act registration statement number of the earlier effective registration statement for the same offering is o.

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CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Title of Securities Being Registered	Amount Being Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price (1)	Amount of Registration Fee (2)
% Series D Preferred	4,000,000	\$ 25	\$ 100,000,000	\$ 11,770
Series E Auction Rate Preferred	4,000	\$ 25,000	\$ 100,000,000	\$ 11,770

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(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) under the Securities Act of 1933.

(2) \$117.70 was previously wired to the Securities and Exchange Commission account at the Mellon Bank, Pittsburgh, Pennsylvania, in connection with the initial filing of the Registration Statement. An additional \$23,422.30 was wired to the Securities and Exchange Commission's account in payment of the additional registration fee, due in connection with this Pre-Effective Amendment No. 1 to the Registration Statement.

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

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CROSS-REFERENCE SHEET

N-2 Item Number	Part A Information Required in a Prospectus	Location in Part A (Caption)
1.	Outside Front Cover	Outside Front Cover Page
2.	Cover Pages, Other Offering Information	Outside Front Cover Page; Inside Front Cover Page
3.	Fee Table and Synopsis	Summary
4.	Financial Highlights	Financial Highlights
5.	Plan of Distribution	Outside Front Cover Page; Prospectus Summary; Underwriting
6.	Selling Shareholders	Not Applicable
7.	Use of Proceeds	Use of Proceeds; Investment Objective, and Policies
8.	General Description of the Registrant	Outside Front Cover Page; Prospectus Summary; The Fund; Capitalization Investment Objective and Policies; Risk Factors & Special Considerations; How the Fund Manages Risk; Description of the Series D Preferred and Series E Auction Rate Preferred Shares; Anti-takeover Provisions of the Fund's Governing Documents
9.	Management	Outside Front Cover Page; Prospectus Summary; Management of the Fund; Custodian, Transfer Agent, Auction Agent, and Dividend-Disbursing Agent
10.	Capital Shares, Long-Term Debt, and Other Securities	Outside Front Cover Page; Prospectus Summary; Investment Objective and Policies; Description of the Series D Preferred and Series E Auction Rate Preferred Shares; Authorized and Outstanding Shares ; Taxation
11.	Defaults and Arrears on Senior Securities	Not Applicable
12.	Legal Proceedings	Not Applicable
13.	Table of Contents of the Statement of Additional Information	Table of Contents of the Statement of Additional Information
<b>Part B Information Required in a Statement of Additional Information</b>		
14.	Cover Page	Outside Front Cover Page
15.	Table of Contents	Outside Front Cover Page
16.	General Information and History	Not Applicable



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17.	Investment Objective and Policies	Investment Objective and Policies; Investment Restrictions
18.	Management	Management of the Fund
19.	Control Persons and Principal Holders of Securities	Not Applicable
20.	Investment Advisory and Other Services	Management of the Fund
21.	Portfolio Managers	Management of the Fund
22.	Brokerage Allocation and Other Practices	Portfolio Transactions
23.	Tax Status	Taxation
24.	Financial Statements	Not Applicable

**Part C Other Information**

Information required to be included in Part C is set forth under the appropriate Item, so numbered, in Part C to this Registration Statement.

**Signatures**

Signature Page



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

SUBJECT TO COMPLETION DATED \_\_\_\_\_, 2005

**\$200,000,000**

**The Gabelli Dividend & Income Trust**

**Shares, \_\_\_\_\_ % Series D Cumulative Preferred Shares**

**(Liquidation Preference \$25 per Share)**

**Shares, Series E Auction Rate Preferred Shares**

**(Liquidation Preference \$25,000 per Share)**

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The Gabelli Dividend & Income Trust, or the Fund, is a non-diversified, closed-end management investment company registered under the Investment Company Act of 1940. The Fund's investment objective is to seek a high level of total return with an emphasis on dividends and income. The Fund attempts to achieve its objective by investing at least 80% of its assets in dividend paying or other income producing securities under normal market conditions. In addition, under normal market conditions, at least 50% of the Fund's assets will consist of dividend paying equity securities. In making stock selections, Gabelli Funds, LLC, which serves as investment adviser to the Fund, looks for securities that have a superior yield and capital gains potential. The Fund commenced its investment operations on November 28, 2003. We cannot assure you that the Fund will achieve its objective.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

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**Investing in our Series D Preferred or Series E Auction Rate Preferred involves risks that are described in the Risk Factors and Special Considerations section beginning on page 34 of this prospectus.**

	Series D Cumulative Preferred Per Share	Total	Series E Auction Rate Preferred Per Share	Total
Public Offering Price (1)	\$	\$	\$	\$
Underwriting Discount (2)	\$	\$	\$	\$
Proceeds to the Fund (before expenses)(3)	\$	\$	\$	\$

- 
- (1) Plus accumulated dividends, if any, from
  - (2) The Fund and the Investment Adviser have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended.
  - (3) Offering expenses payable by the Fund are estimated at \$4,750,000.
-

This prospectus describes the Fund's % Series D Cumulative Preferred Shares (the Series D Preferred), liquidation preference \$25 per share. Dividends on the Series D Preferred are cumulative from their original issue date at the annual rate of % of the liquidation preference of \$25 per share and are payable quarterly on March 26, June 26, September 26, and December 26 in each year, commencing on December 26, 2005.

This prospectus also describes the Fund's Series E Auction Rate Preferred Shares (the Series E Auction Rate Preferred), liquidation preference \$25,000 per share. The dividend rate for the Series E Auction Rate Preferred will vary from dividend period to dividend period. The annual dividend rate for the initial dividend period for the Series E Auction Rate Preferred will be % of the liquidation preference of \$25,000 per share. The initial dividend period for the Series E Auction Rate Preferred commences on the date of issuance and continues through , 2005. For subsequent dividend periods, the Series E Auction Rate Preferred will pay dividends based on a rate set at auction, usually held weekly.

The Fund offers by this prospectus, in the aggregate, \$ million of either Series D Preferred, or Series E Auction Rate Preferred, or a combination of both.

The Series D Preferred and the Series E Auction Rate Preferred being offered by this prospectus are being offered by the underwriters listed in this prospectus, subject to prior sale, when, as and if accepted by them and subject to certain conditions. The Fund expects that delivery of any Series D Preferred and Series E Auction Rate Preferred will be made in book-entry form through The Depository Trust Company on or about , 2005.

\_\_\_\_\_  
  
\_\_\_\_\_

, 2005.

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An application was made to list the Series D Preferred on the New York Stock Exchange. Subject to notice of issuance, trading of the Series D Preferred on the New York Stock Exchange is expected to commence within 30 days of the date of this prospectus. Prior to this offering, there has been no public market for the Series D Preferred. See Underwriting.

The Series E Auction Rate Preferred will not be listed on an exchange. Investors may only buy or sell Series E Auction Rate Preferred through an order placed at an auction with or through a broker-dealer in accordance with the procedures specified in this prospectus or in a secondary market maintained by certain broker-dealers should those broker-dealers decide to maintain a secondary market. Broker-dealers are not required to maintain a secondary market in the Series E Auction Rate Preferred, and a secondary market may not provide you with liquidity.

The net proceeds of the offering, which are expected to be \$ million, will be invested in accordance with the Fund's investment objective and policies. See Investment Objective and Policies beginning on page 26.

The Fund expects that dividends paid on the Series D Preferred and Series E Auction Rate Preferred will consist of (i) long-term capital gain (gain from the sale of a capital asset held longer than 12 months), (ii) qualified dividend income (dividend income from certain domestic and foreign corporations) and (iii) investment company taxable income (other than qualified dividend income), including interest income, short-term capital gain and income from certain hedging and interest rate transactions. For individuals, the maximum federal income tax rate on long-term capital gain is currently 15%, on qualified dividend income is currently 15%, and on ordinary income (such as distributions from investment company taxable income that are not eligible for treatment as qualified dividend income) is currently 35%. These tax rates are scheduled to apply through 2008. We cannot assure you, however, as to what percentage of the dividends paid on the Series D Preferred or Series E Auction Rate Preferred will consist of long-term capital gain and qualified dividend income, which are taxed at lower rates for individuals than ordinary income. For a more detailed discussion, see Taxation.

In order to be issued, the Series D Preferred must receive a rating of Aaa by Moody's Investors Service, Inc. (Moody's). In addition, in order to be issued, the Series E Auction Rate Preferred must receive a rating of Aaa by Moody's and a rating of AAA by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. (S&P). In order to keep these ratings, the Fund will be required to maintain a minimum discounted asset coverage with respect to its outstanding Series D Preferred and Series E Auction Rate Preferred under guidelines established by each of Moody's and S&P. See Description of the Series D Preferred and Series E Auction Rate Preferred Rating Agency Guidelines. The Fund is also required to maintain a minimum asset coverage by the Investment Company Act of 1940. If the Fund fails to maintain any of these minimum asset coverage requirements, the Fund may, at its option (and in certain circumstances must) require, in accordance with its governing documents and the requirements of the Investment Company Act of 1940, that some or all of its outstanding preferred shares, including the Series D Preferred and/or the Series E Auction Rate Preferred, be sold back to it (redeemed). Otherwise, prior to the Series D Preferred will be redeemable at the option of the Fund only to the extent necessary for the Fund to continue to qualify for tax treatment as a regulated investment company. Subject to certain notice and other requirements (including those set forth in Section 23(c) of the Investment Company Act of 1940), the Fund at its option may redeem (i) the Series D Preferred beginning on , 2010 and (ii) the Series E Auction Rate Preferred following the initial dividend period (so long as the Fund has not designated a non-call period). In the event the Fund redeems Series D Preferred, such redemption will be for cash at a redemption price equal to \$25 per share plus accumulated but unpaid dividends (whether or not earned or declared). In the event the Fund redeems Series E Auction Rate Preferred, such redemptions will be for cash, generally at a redemption price equal to \$25,000 per share plus accumulated but

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unpaid dividends (whether or not earned or declared), although if the Series E Auction Rate Preferred have a dividend period of more than one year, the Fund's Board of Trustees may determine to provide for a redemption premium.

This prospectus concisely sets forth important information about the Fund that you should know before deciding whether to invest in Series D Preferred or Series E Auction Rate Preferred. You should read this prospectus and retain it for future reference.

The Fund has also filed with the Securities and Exchange Commission a Statement of Additional Information (the "SAI"), dated September 1, 2005, which contains additional information about the Fund. The SAI is incorporated by reference in its entirety into this prospectus. You can review the table of contents of the SAI on page 75 of this prospectus. You may request a free copy of the SAI by writing to the Fund at its address at One Corporate Center, Rye, New York 10580-1422 or calling the Fund toll-free at (800) 422-3554. You can also call the toll-free number to request copies of the Fund's annual and semi-annual reports, to request other information about the Fund, or to make shareholder inquiries. The SAI and the Fund's reports are also available at the website <http://www.gabelli.com>. You may also obtain the Statement of Additional Information and reports, proxy and information statements and other information regarding registrants, including the Fund, that file electronically with the Securities and Exchange Commission on the Securities and Exchange Commission's web site (<http://www.sec.gov>).

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

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**You should rely only on the information contained in or incorporated by reference into this prospectus. Neither the Fund nor the underwriters have authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. Neither the Fund nor the underwriters are making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted.**

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**SUMMARY**

*This is only a summary. This summary does not contain all of the information that you should consider before investing in the Fund's Series D Preferred and Series E Auction Rate Preferred, especially the information set forth under the heading Risk Factors and Special Considerations. You should review the more detailed information contained in this prospectus, the Statement of Additional Information dated September 1, 2005 (the SAI), the Fund's Statement of Preferences of 5.875% Series D Cumulative Preferred Shares (the Series D Statement of Preferences) and the Fund's Statement of Preferences for the Series E Auction Rate Preferred on file with the Securities and Exchange Commission.*

## **The Fund**

The Fund is a non-diversified, closed-end management investment company organized under the laws of the State of Delaware on August 20, 2003. The Fund's outstanding common shares, par value \$.001 per share, are listed and traded on the New York Stock Exchange ( NYSE ) under the symbol GDV. As of June 30, 2005, the net assets of the Fund attributable to its common shares were \$1,732,678,667. As of June 30, 2005, the Fund had outstanding 84,777,505 common shares, 3,200,000 5.875% Series A Cumulative Preferred Shares liquidation preference (the Series A Preferred ), 4,000 Series B Auction Market Cumulative Preferred Shares liquidation preference (the Series B AMPS ) and 4,800 Series C Auction Market Cumulative Preferred Shares liquidation preference (the Series C AMPS ). The Series A Preferred, Series B AMPS, and Series C AMPS have the same seniority with respect to dividends and liquidation preference.

## **The Offering**

The Fund offers by this prospectus, in the aggregate, \$200,000,000 of preferred shares of either Series D Preferred or Series E Auction Rate Preferred, or a combination of both series. The Series D Preferred and the Series E Auction Rate Preferred are being offered by a group of underwriters led by . Upon issuance, the Series D Preferred and the Series E Auction Rate Preferred will have equal seniority with respect to dividends and liquidation preference to the Fund's other outstanding preferred stock. See Description of the Series D Preferred and Series E Auction Rate Preferred.

*Series D Preferred.* The Fund is offering shares of % Series D Preferred, par value \$0.001 per share, liquidation preference \$25 per share, at a purchase price of \$25 per share. Dividends on the shares of Series D Preferred will accumulate from the date on which such shares are issued. An application was made to list the Series D Preferred on the NYSE and it is anticipated that trading of the Series D Preferred on the NYSE will commence within 30 days from the date of this prospectus.

*Series E Auction Rate Preferred.* The Fund is offering shares of Series E Auction Rate Preferred, par value \$0.001 per share, liquidation preference \$25,000 per share at a purchase price of \$25,000 per share, plus dividends, if any, that have accumulated from the commencement date of the dividend period during which such Series E Auction Rate Preferred are issued. The Series E Auction Rate Preferred will not be listed on an exchange. Instead, investors may buy or sell Series E Auction Rate Preferred in an auction by submitting orders to broker-dealers that have entered into an agreement with the auction agent.

Generally, investors in Series D Preferred or Series E Auction Rate Preferred will not receive certificates representing ownership of their shares. The Depository Trust Company ( DTC ), any successor or its nominee for the account of the investor's broker-dealer will maintain record ownership of the preferred shares in book-entry form. An investor's broker-dealer, in turn, will maintain records of that investor's beneficial





ownership of preferred shares.

**Investment Objective**

The Fund's investment objective is to provide a high level of total return on its assets with an emphasis on dividends and income. No assurance can be given that the Fund will achieve its investment objective. The Fund will attempt to achieve its investment objective by investing, under normal market conditions, at least 80% of its assets in dividend paying securities (such as common and preferred stock) or other income producing securities (such as fixed-income debt securities and securities that are convertible into common stock). In addition, under normal market conditions, at least 50% of the Fund's assets will consist of dividend paying equity securities. The Fund may invest up to 35% of its total assets in the securities of non-U.S. issuers and up to 25% of its total assets in securities of issuers in a single industry. There is no minimum credit rating for debt securities in which the Fund may invest, although the Fund will not invest more than 10% of its total assets in fixed-income nonconvertible securities rated in the lower rating categories of recognized statistical rating agencies typically the Fund invests in those securities rated BB by S&P or Ba by Moody's or non-rated securities of comparable quality, all of which are commonly referred to as junk bonds.

The Investment Adviser's investment philosophy with respect to both equity and debt securities is to identify assets that are selling in the public market at a discount to their private market value. The Investment Adviser defines private market value as the value informed purchasers are willing to pay to acquire assets with similar characteristics. In making stock selections, the Fund's Investment Adviser looks for securities that have a superior yield and capital gains potential. See Investment Objective and Policies.

**Dividends and Distributions**

*Series D Preferred.* Dividends on the Series D Preferred, at the annual rate of % of its \$25 per share liquidation preference, are cumulative from the original issue date and are payable, when, as and if declared by the Board of Trustees of the Fund, out of funds legally available therefor, quarterly on , , , and in each year, commencing on , 2005.

*Series E Auction Rate Preferred.* The holders of Series E Auction Rate Preferred are entitled to receive cash dividends, stated at annual rates of its \$25,000 per share liquidation preference, that will vary from dividend period to dividend period. The table below shows the dividend rate, the dividend payment date and the number of days for the initial dividend period on the Series E Auction Rate Preferred.

	Initial Dividend Rate	Dividend Payment Date for Initial Dividend Period	Number of Days of Initial Dividend Period
Series E Auction Rate Preferred	%	, 2005	

For subsequent dividend periods, the Series E Auction Rate Preferred will pay dividends based on a rate set at auctions, normally held weekly. In most instances, dividends are payable weekly, on the first business day following the end of the dividend period. If the day on which dividends otherwise would be paid is not a business day, then dividends will be paid on the first business day after the end of the dividend period. The Fund may, subject to certain conditions, designate special dividend periods of more (or less)



than seven days. The dividend payment date for any such special dividend period will be set out in the notice designating the special dividend period. Dividends on shares of the Series E Auction Rate Preferred will be cumulative from the date such shares are issued and will be paid out of legally available funds.

Any designation of a special dividend period will be effective only if, among other things, proper notice has been given, the auction immediately preceding the special dividend period was not a failed auction and the Fund has confirmed that it has assets with an aggregate discounted value at least equal to the Basic Maintenance Amount (as described under Description of the Series D Preferred and Series E Auction Rate Preferred Rating Agency Guidelines ). See Description of the Series D Preferred and Series E Auction Rate Preferred Dividends on the Series E Auction Rate Preferred and The Auction of Series E Auction Rate Preferred.

There is no minimum rate with respect to any dividend period. There is a maximum rate. The maximum rate for any dividend period other than a default period will be the greater of (i) the applicable percentage of the reference rate set forth in the table below or (ii) the applicable spread set forth in the table below plus the reference rate. The reference rate is the applicable LIBOR Rate (for a dividend period or a special dividend period of fewer than 365 days), or the applicable Treasury Index Rate (for a special dividend period of 365 days or more). The applicable percentage and applicable spread will be determined based on the lower of the credit ratings assigned to the Series E Auction Rate Preferred by Moody's and S&P.

The applicable percentages and applicable spreads are as follows:

Credit Ratings		Applicable Percentage	Applicable Spread
Moody's	S&P		
Aaa	AAA	125%	1.25%
Aa3 to Aa1	AA to AA+	150%	1.50%
A3 to A1	A to A+	200%	2.00%
Baa3 to Baa1	BBB to BBB+	250%	2.50%
Ba1 and lower	BB+ and lower	300%	3.00%

Assuming the Fund maintains an Aaa and AAA rating on the Series E Auction Rate Preferred, the practical effect of the different methods used to determine the maximum applicable rate is shown in the table below:

Reference Rate	Maximum Applicable Rate Using the Applicable Percentage	Maximum Applicable Rate Using the Applicable Spread	Method Used to Determine the Maximum Applicable Rate
1%	1.25%	2.25%	Spread
2%	2.50%	3.25%	Spread
3%	3.75%	4.25%	Spread
4%	5.00%	5.25%	Spread
5%	6.25%	6.25%	Either
6%	7.50%	7.25%	Percentage

See Description of the Series D Preferred and Series E Auction Rate Preferred Dividends on the Series E Auction Rate Preferred Maximum Rate. For example, calculated as of December 31, 2004 and June 30, 2005, respectively, the maximum rate for the Series E Auction Rate Preferred (assuming a rating of Aaa by Moody's and AAA by S&P) would have been approximately % and %, for dividend periods of 90 days, and approximately % and % for dividend periods of two years.(1) There is no minimum rate with respect to any dividend period.

*Preferred Stock Dividends.* Under current law, all preferred stock of the Fund must have the same seniority as to the payment of dividends. Accordingly, no full dividend will be declared or paid on any series of preferred shares of the Fund for any dividend period, or part thereof, unless full cumulative dividends due through the most recent dividend payment dates for all series of outstanding preferred shares of the Fund are declared and paid. If full cumulative dividends due have not been declared and paid on all outstanding preferred shares of the Fund ranking on a parity with the Series D Preferred and the Series E Auction Rate Preferred as to the payment of dividends, any dividends being paid on such preferred shares (including any outstanding Series D Preferred and 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 shares on the relevant dividend payment date.

In the event that for any calendar year the total distributions on the Fund's preferred shares exceed the Fund's ordinary income and net capital gain allocable to those shares, the excess distributions will generally be treated as a tax-free return of capital (to the extent of the shareholder's tax basis in his or her shares). The amount treated as a tax-free return of capital will reduce a shareholder's adjusted basis in its preferred shares, thereby increasing the shareholder's potential gain or reducing its potential loss on the sale of the shares.

*Common Share Dividends.* In order to allow its holders of common shares to realize a predictable, but not assured, level of cash flow and some liquidity periodically on their investment without having to sell shares, the Fund has adopted a policy, which may be changed at any time by the Board of Trustees, of paying distributions on its common shares of \$0.10 per month, which is equal to an annual rate of 6% of the original offering price per common share. A portion of the Fund's Common Share dividends to date have

(1) Dividend periods presented for illustrative purposes only. Actual dividend periods may be of greater or lesser duration.



included or have been estimated to include a return of capital. The composition of dividends is based on earnings as of the record date for the dividend. The actual composition of the distribution may change based on the Fund's investment activity through the end of the year.

#### **Auction Procedures**

You may buy, sell or hold Series E Auction Rate Preferred in the auction. The following is a brief summary of the auction procedures, which are described in more detail elsewhere in this prospectus and in the SAI. These auction procedures are complicated, and there are exceptions to these procedures. Many of the terms in this section have a special meaning as set forth in this prospectus or the SAI.

Provided that the Fund has not defaulted on its payment obligations to holders of the Series E Auction Rate Preferred, the auctions determine the dividend rate for the Series E Auction Rate Preferred, except that no dividend rate resulting from the auction process will be higher than the then-maximum rate. See Description of the Series D Preferred and Series E Auction Rate Preferred Dividends on the Series E Auction Rate Preferred.

If you own shares of Series E Auction Rate Preferred, you may instruct your broker-dealer to enter one of three kinds of orders in the auction with respect to your shares: sell, bid, and hold.

If you enter a sell order, you indicate that you want to sell Series E Auction Rate Preferred at \$25,000 per share, no matter what the next dividend period's rate will be.

If you enter a bid order, which must specify a dividend rate, you indicate that you want to purchase or hold the indicated number of shares of Series E Auction Rate Preferred at \$25,000 per share if the dividend rate for the Series E Auction Rate Preferred for the next dividend period is not less than the rate specified in the bid. A bid order will be deemed an irrevocable offer to sell Series E Auction Rate Preferred if the next dividend period's rate is less than the rate you specify.

If you enter a hold order you indicate that you want to continue to own Series E Auction Rate Preferred, no matter what the next dividend period's rate will be.

You may enter different types of orders for different portions of your Series E Auction Rate Preferred. All orders must be for whole shares. All orders you submit are irrevocable. There is a fixed number of Series E Auction Rate Preferred, and the dividend rate likely will vary from auction to auction depending on the number of bidders, the number of shares the bidders seek to buy, the rating of the Series E Auction Rate Preferred and general economic conditions including current interest rates. If you own Series E Auction Rate Preferred and submit a bid order specifying a rate that is higher than the then maximum rate, your bid order will be treated as a sell order. If you do not enter an order, the broker-dealer will ordinarily assume that you want to continue to hold your Series E Auction Rate Preferred, but if you fail to submit an order and the dividend period is longer than 91 days, the broker-dealer will treat your failure to submit an order as a sell order.

If you do not then own Series E Auction Rate Preferred, or want to buy more shares, you may instruct a broker-dealer to enter a bid order to buy shares in an auction at \$25,000 per share at or above the dividend rate you specify. If you bid for shares you do not already own at a rate higher than the then-maximum rate, your bid will not be considered.

Broker-dealers will submit orders from existing and potential holders of Series E Auction Rate Preferred to the auction agent. Neither the Fund nor the auction agent will be responsible for a broker-dealer's failure to submit orders from existing or potential holders of Series E Auction Rate Preferred. A broker-dealer's failure to submit orders for Series E Auction Rate Preferred held by it or its customers will be treated in the same manner as a holder's failure to submit an order to the broker-dealer. A broker-dealer may submit orders to the auction agent for its own account provided that the broker-dealer is not an affiliate of the Fund. If a broker-dealer submits an order for its own account in any auction, it may have knowledge of orders placed through it in that auction and therefore have an advantage over other bidders, but such broker-dealer would not have knowledge of orders submitted by other broker-dealers in that auction. As a result of bidding by the broker-dealer in an auction, the auction rate may be higher or lower than the rate that would have prevailed had the broker-dealer not bid. The Fund may not submit an order in any auction.

The auction agent after each auction for the 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 one year, 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 360, times (ii)  $\frac{1}{4}$  of 1%, times (iii) \$25,000, times (iv) the aggregate number of Series E Auction Rate Preferred placed by such broker-dealer at such auction. In the case of any auction immediately preceding a dividend period of one year or longer, the service charge shall be determined by mutual consent of the Fund and any such broker-dealer and shall be based upon a selling concession that would be applicable to an underwriting of fixed or variable rate preferred shares with a similar final maturity or variable rate dividend period, respectively, at the commencement of the dividend period with respect to such action. A broker-dealer may share a portion of any such fees with non-participating broker-dealers that submit orders to the broker-dealer for an auction that are placed by that broker-dealer in such auction.

There are sufficient clearing bids for shares of Series E Auction Rate Preferred in an auction if the number of Series E Auction Rate Preferred subject to bid orders by broker-dealers for potential holders with a dividend rate equal to or lower than the then-maximum rate is at least equal to the number of Series E Auction Rate Preferred subject to sell orders and the number of shares of Series E Auction Rate Preferred subject to bids specifying rates higher than the then-maximum rate for the Series E Auction Rate Preferred submitted or deemed submitted to the auction agent by broker-dealers for existing holders. If there are sufficient clearing bids for shares of Series E Auction Rate Preferred, then the dividend rate for the next dividend period will be the lowest rate submitted which, taking into account that rate and all lower rate bids submitted from existing and potential holders, would result in existing and potential holders owning all the Series E Auction Rate Preferred available for purchase in the auction.

If there are not sufficient clearing bids for shares of Series E Auction Rate Preferred, then the auction is considered to be a failed auction, and the dividend rate will be the maximum rate. If the Fund has declared a special dividend period and there are not sufficient clearing bids, then the special dividend rate will not be effective and the dividend rate for the next period will be the same as during the current rate period. In either event, existing holders that have submitted sell orders (or are treated as having submitted sell orders) may not be able to



sell any or all of the Series E Auction Rate Preferred for which they submitted sell orders.

The auction agent will not consider a bid above the then-maximum rate. The purpose of the maximum rate is to place an upper limit on dividends with respect to the Series E Auction Rate Preferred and in so doing to help protect the earnings available to pay dividends on the Fund's common shares, and to serve as the dividend rate in the event of a failed auction (that is, an auction where there are more shares of Series E Auction Rate Preferred offered for sale than there are buyers for those shares).

If broker-dealers submit or are deemed to submit hold orders for all outstanding Series E Auction Rate Preferred, the auction is considered an all hold auction and the dividend rate for the next dividend period will be the all hold rate, which is 90% of the then-current reference rate. This rate may be less than the rate that would have been determined if an auction had occurred.

The auction procedures include a pro rata allocation of each share of Series E Auction Rate Preferred for purchase and sale. This allocation process may result in an existing holder selling, or a potential holder buying, fewer shares than the number of Series E Auction Rate Preferred in its order. If this happens, 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.

Settlement of purchases and sales will be made through DTC on the next business day after the auction date (which also is a dividend payment date). Purchasers will pay for their Series E Auction Rate Preferred through broker-dealers in same-day funds to DTC against delivery to the broker-dealers. DTC will make payment to the sellers' broker-dealers in accordance with its normal procedures, which require broker-dealers to make payment against delivery in same-day funds. As used in this prospectus, a business day is a day on which the NYSE is open for trading, and which is not a Saturday, Sunday or any other day on which banks in New York City are authorized or obligated by law to close.

The first auction for Series E Auction Rate Preferred will be held on [redacted], 2005, the business day preceding the dividend payment date for the initial dividend period. Thereafter, except during special dividend periods, auctions for Series E Auction Rate Preferred normally will be held every [redacted] (or the next preceding business day if [redacted] is a holiday), and each subsequent dividend period for the Series E Auction Rate Preferred normally will begin on the following [redacted].

#### **Tax Treatment of Preferred Share Dividends**

The Fund expects that dividends paid on the Series D Preferred and Series E Auction Rate Preferred will consist of (i) long-term capital gain (gain from the sale of a capital asset held longer than 12 months), (ii) qualified dividend income (dividend income from certain domestic and foreign corporations) and (iii) investment company taxable income (other than qualified dividend income), including interest income, short-term capital gain and income from certain hedging and interest rate transactions. For individuals, the maximum federal income tax rate on long-term capital gain is currently 15%, on qualified dividend income is currently 15%, and on ordinary income (such as distributions from investment company taxable income that are not eligible for treatment as qualified dividend income) is currently 35%. These tax rates are scheduled to apply through 2008. We cannot assure you, however, as to what percentage of the dividends paid on the Series D Preferred or

Series E Auction Rate Preferred will consist of long-term capital gain and qualified dividend income, which are taxed at lower rates for individuals than ordinary income. For a more detailed discussion, see [Taxation](#).

**Rating and Asset Coverage  
Requirements**

*Series D Preferred.* In order to be issued, the Series D Preferred must receive a rating of [Aaa](#) from Moody's. The Series D Statement of Preferences contains certain tests that the Fund must satisfy to obtain and maintain a rating of [Aaa](#) from Moody's on the Series D Preferred. See [Description of the Series D Preferred and Series E Auction Rate Preferred](#) [Rating Agency Guidelines](#).

*Series E Auction Rate Preferred.* In order to be issued, the Series E Auction Rate Preferred must receive both a rating of [Aaa](#) from Moody's and a rating of [AAA](#) from S&P. As with the Series D Preferred, the Statement of Preferences of the Series E Auction Rate Preferred contains certain tests that the Fund must satisfy to obtain and maintain a rating of [Aaa](#) from Moody's and [AAA](#) from S&P. See [Description of the Series D Preferred and Series E Auction Rate Preferred](#) [Rating Agency Guidelines](#).