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

o Registration Statement under the Securities Act of 1933

ý Pre-Effective Amendment No. 1

o Post-Effective Amendment No.

and/or

ý Registration Statement under the Investment Company Act of 1940

ý Amendment No. 11

(Check Appropriate Box or Boxes)

THE GABELLI DIVIDEND & INCOME TRUST

(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.

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. ý

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

ý When declared effective pursuant to section 8(c).

If appropriate, check the following box:
o This [post-effective] amendment designates a new effective date for a previously filed [post-effective amendment] [registration statement].

o 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.

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

(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.

CROSS-REFERENCE SHEET

N-2 Item Number		**Location in Part A (Caption)**
Part A Information Required in a Prospectus		
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
Part B Information Required in a Statement of Additional Information		
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)

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.

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 Invesment 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.

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 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 , 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.

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 , 2005 (the SAI), the Fund s Statement of Preferences of % 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	Applicable
Moody s	**S&P**	**Percentage**	**Spread**
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.

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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) ¼ 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 , 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 (or the next preceding business day if is a holiday), and each subsequent dividend period for the Series E Auction Rate Preferred normally will begin on the following .

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.

Asset Coverage Requirements. Under the asset coverage tests to which each of the Series D Preferred and the Series E Auction Rate Preferred is subject, the Fund is required to maintain (i) assets having in the aggregate a discounted value greater than or equal to a Basic Maintenance Amount (as described under Description of the Series D Preferred and Series E Auction Rate Preferred Rating Agency Guidelines) for each such series calculated pursuant to the applicable rating agency guidelines and (ii) an asset coverage of at least 200% (or such higher or lower percentage as may be required at the time under the Investment Company Act of 1940 (the 1940 Act)) with respect to all outstanding preferred shares of the Fund, including the Series D Preferred and the Series E Auction Rate Preferred. See Description of the Series D Preferred and Series E Auction Rate Preferred Asset Maintenance Requirements.

The Fund estimates that if the shares offered hereby had been issued and sold as of September 15, 2005, the asset coverage under the 1940 Act would have been approximately 457% immediately following such issuance and (after giving effect to the deduction of the underwriting discounts and estimated offering expenses for such shares of $4,750,000). The asset coverage would have been computed as follows:

Value of Fund assets less liabilities not constituting senior securities		2,284,758,876		
Senior securities representing indebtedness plus liquidation value of the Auction Rate Preferred	=	$500,000,000	=	457%

The Statement of Preferences for each of the Series D Preferred and the Series E Auction Rate Preferred, which contain the technical provisions of the various components of the asset coverage tests, will be filed as exhibits to this registration statement and may be obtained through the web site of the Securities and Exchange Commission (http://www.sec.gov).

Mandatory Redemption

The Series D Preferred and the Series E Auction Rate Preferred may be subject to mandatory redemption by the Fund to the extent the Fund fails to maintain the asset

coverage requirements in accordance with the rating agency guidelines or the 1940 Act described above and does not cure such failure by the applicable cure date. If the Fund redeems preferred shares mandatorily, it may, but is not required to, redeem a sufficient number of such shares so that after the redemption the Fund exceeds the asset coverage required by the guidelines of each of the applicable rating agencies and the 1940 Act by 10%.

With respect to the Series D Preferred, any such redemption will be made for cash at a redemption price equal to $25 per share, plus an amount equal to accumulated and unpaid dividends (whether or not earned or declared) to the redemption date.

With respect to the Series E Auction Rate Preferred, any such redemption will be made for cash at a redemption price equal to $25,000 per share, plus an amount equal to accumulated but unpaid dividends (whether or not earned or declared) to the redemption date, plus, in the case of the Series E Auction Rate Preferred having a dividend period of more than one year, any applicable redemption premium determined by the Board of Trustees. See Description of the Series D Preferred and the Series E Auction Rate Preferred Redemption.

In the event of a mandatory redemption, such redemption will be made from the Series D Preferred, the Series E Auction Rate Preferred or other preferred shares of the Fund in such proportions as the Fund may determine, subject to the limitations of the 1940 Act and Delaware law.

Optional Redemption

Subject to the limitations of the 1940 Act and Delaware law, the Fund may, at its option, redeem the Series D Preferred and the Series E Auction Rate Preferred as follows:

Series D Preferred. Commencing , 2010 and at any time thereafter, the Fund at its option may redeem the Series D Preferred, in whole or in part, for cash at a redemption price per share equal to $25, plus an amount equal to accumulated and unpaid dividends (whether or not earned or declared) to the redemption date. If fewer than all of the shares of the Series D Preferred are to be redeemed, such redemption will be made pro rata in accordance with the number of such shares held. Prior to , the Series D Preferred will be subject to optional redemption by the Fund at the redemption price only to the extent necessary for the Fund to continue to qualify for tax treatment as a regulated investment company. See Description of the Series D Preferred and Series E Auction Rate Preferred Redemption Optional Redemption of the Series D Preferred.

Series E Auction Rate Preferred. The Fund at its option generally may redeem the Series E Auction Rate Preferred, in whole or in part, at any time other than during a non-call period. The Fund may declare a non-call period during a dividend period of more than seven days. If fewer than all of the shares of the Series E Auction Rate Preferred are to be redeemed, such redemption will be made pro rata in accordance with the number of such shares held. See Description of the Series D Preferred and Series E Auction Rate Preferred Redemption Optional Redemption of the Series E Auction Rate Preferred.

The redemption price per share of Series E Auction Rate Preferred will equal $25,000, plus an amount equal to any accumulated but unpaid dividends thereon (whether or not earned or declared) to the redemption date, plus, in the case of the Series E Auction Rate Preferred having a dividend period of more than one

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year, any redemption premium applicable during such dividend period. See Description of the Series D Preferred and Series E Auction Rate Preferred Redemption Optional Redemption of the Series E Auction Rate Preferred.

Voting Rights

At all times, holders of the Fund s outstanding preferred stock (including the Series D Preferred and the Series E Auction Rate Preferred), voting as a single class, will be entitled to elect two members of the Fund s Board of Trustees, and holders of the preferred shares and common shares, voting as a single class, will elect the remaining trustees. However, upon a failure by the Fund to pay dividends on any of its preferred shares in an amount equal to two full years dividends, holders of the preferred shares, voting as a single class, will have the right to elect additional trustees that would then constitute a simple majority of the Board of Trustees until all cumulative dividends on all preferred shares have been paid or provided for. Holders of outstanding Series D Preferred, Series E Auction Rate Preferred and any other preferred shares will vote separately as a class on certain other matters as required under the applicable Statement of Preferences, the 1940 Act and Delaware law. Except as otherwise indicated in this prospectus and as otherwise required by applicable law, holders of Series D Preferred and Series E Auction Rate Preferred will be entitled to one vote per share on each matter submitted to a vote of shareholders and will vote together with holders of common shares and any other preferred shares as a single class. See Description of the Series D Preferred and Series E Auction Rate Preferred Voting Rights.

Liquidation Preference

The liquidation preference of Series D Preferred is $25. The liquidation preference of the Series E Auction Rate Preferred is $25,000 per share. Upon liquidation, preferred shareholders will be entitled to receive the liquidation preference with respect to their preferred shares plus an amount equal to accumulated but unpaid dividends with respect to such shares (whether or not earned or declared) to the date of distribution. See Description of the Series D Preferred and Series E Auction Rate Preferred Liquidation Rights.

Use of Proceeds

The Fund will use the net proceeds from the offering to purchase additional portfolio securities in accordance with its investment objective and policies. See Use of Proceeds.

Listing of the Series D Preferred

Prior to this offering, there has been no public market for the Series D Preferred. Following its issuance (if issued), the Series D Preferred is expected to be listed on the NYSE. However, during an initial period which is not expected to exceed 30 days after the date of its initial issuance, the Series D Preferred may not be listed on any securities exchange and consequently may be illiquid during that period. There can be no assurance that a secondary market will provide owners with liquidity.

Limitation on Secondary Market Trading of the Auction Rate Preferred

The Series E Auction Rate Preferred will not be listed on an exchange. Broker-dealers may, but are not obligated to, maintain a secondary trading market in the Series E Auction Rate Preferred outside of auctions. There can be no assurance that a secondary market will provide owners with liquidity. You may transfer Series E Auction Rate Preferred outside of auctions only to or through a broker-dealer that has entered into an agreement with the auction agent or other persons as the Fund permits.

Special Characteristics and Risks

Risk is inherent in all investing. Therefore, before investing in the Series D Preferred or the Series E Auction Rate Preferred you should consider the risks carefully. See Risk Factors and Special Considerations.

Series D Preferred. Primary risks specially associated with an investment in the Series D Preferred include:

The market price for the Series D Preferred will be influenced by changes in interest rates, the perceived credit quality of the Series D Preferred and other factors. See Risk Factors and Special Considerations Special Risks of the Series D Preferred Fluctuations in Market Price.

Prior to the offering, there has been no public market for the Series D Preferred. In the event the Series D Preferred is issued, prior application will have been made to list the Series D Preferred on the NYSE. However, during an initial period, which is not expected to exceed 30 days after the date of its issuance, the Series D Preferred may not be listed on any securities exchange. During such period, the underwriters intend to make a market in the Series D Preferred, however, they have no obligation to do so. Consequently, the Series D Preferred may be illiquid during such period. No assurances can be provided that listing on any securities exchange or market making by the underwriters will result in the market for Series D Preferred being liquid at any time. See Risk Factors and Special Considerations Special Risks of the Series D Preferred Illiquidity Risk.

Series E Auction Rate Preferred. Primary risks specially associated with an investment in Series E Auction Rate Preferred include:

You may not be able to sell your Series E Auction Rate Preferred at an auction if the auction fails, *i.e.*, if there are more shares offered for sale than there are buyers for those shares. Also, if you place an order at an auction to retain Series E Auction Rate Preferred only at a specified rate that exceeds the rate set at the auction, you will not retain your shares. Additionally, if you place a hold order without specifying a rate below which you would not wish to continue to hold your shares and the auction sets a below-market rate, you will receive a lower rate of return on your shares than the market rate. Finally, the dividend period may be changed, subject to certain conditions and with notice to the holders of the affected series of Series E Auction Rate Preferred, which could also affect the liquidity of your investment. See Risk Factors and Special Considerations Special Risks of the Series E Auction Rate Preferred Auction Risk.

If you try to sell your Series E Auction Rate Preferred between auctions, you may not be able to sell them for $25,000 per share or $25,000 per share plus accumulated dividends. If the Fund has designated a special dividend period of more than seven days, changes in interest rates could affect the price you would receive if you sold your shares in the secondary market. Broker-dealers that may maintain a secondary trading market for Series E Auction Rate Preferred are not required to maintain this market, and the Fund is not required to redeem Series E Auction Rate Preferred if either an auction or an attempted secondary market sale fails because of a lack of buyers. In addition, a broker-dealer may, in its own discretion, decide to sell Series E Auction Rate Preferred in the secondary market to investors at any time and at any price, including at prices equivalent to, below or above the par value of the Series E Auction Rate Preferred. The Series E Auction Rate Preferred are not listed on a stock exchange or the NASDAQ stock market.

If you sell your Series E Auction Rate Preferred to a broker-dealer between auctions, you may receive less than the price you paid for them, especially when market interest rates have risen since the last auction or during a special dividend period. See Risk Factors and Special Considerations Special Risks of the Series E Auction Rate Preferred Secondary Market Sale Risk.

Both the Series D Preferred and Series E Auction Rate Preferred. An investment in either the Series D Preferred or Series E Auction Rate Preferred also includes the following primary risks:

You will have no right to require the Fund to repurchase or redeem your shares of Series D Preferred or Series E Auction Rate Preferred at any time.

The market value for the Series D Preferred and the Series E Auction Rate Preferred will be influenced by changes in interest rates, the perceived credit quality of the Series D Preferred or the Series E Auction Rate Preferred and other factors.

The credit rating on the Series D Preferred and the Series E Auction Rate Preferred could be reduced or withdrawn while an investor holds shares, and the credit rating does not eliminate or mitigate the risks of investing in the Series D Preferred and Series E Auction Rate Preferred. A reduction or withdrawal of the credit rating would likely have an adverse effect on the market value of the Series D Preferred and Series E Auction Rate Preferred.

The Fund may not meet the asset coverage requirements or earn sufficient income from its investments to pay dividends on the Series D Preferred and the Series E Auction Rate Preferred.

The value of the Fund s investment portfolio may decline, reducing the asset coverage for the Series D Preferred and the Series E Auction Rate Preferred. Further, if an issuer of a common stock in which the Fund invests experiences financial difficulties or if an issuer s preferred stock or debt security is downgraded or defaults or if an issuer in which the Fund invests is affected by other adverse market factors, there may be a negative impact on the income and asset value of the Fund s investment portfolio. In such circumstances, the Fund may be forced to mandatorily redeem shares of Series D Preferred and Series E Auction Rate Preferred.

In general, the Fund may redeem your Series E Auction Rate Preferred at any time and may redeem your Series D Preferred at any time after , 2010, and may at any time redeem shares of either or both series to meet regulatory or rating agency requirements. Because of historically low interest rates, the current low cost of the Series E Auction Rate Preferred to the Fund may rise dramatically, which in turn may prompt the Fund to redeem the Series E Auction Rate Preferred earlier than it otherwise might. The Series D Preferred and the Series E Auction Rate Preferred are subject to redemption under specified circumstances and investors may not be able to reinvest the proceeds of any such redemption in an investment providing the same or a better rate than that of the Series D Preferred or the Series E Auction Rate Preferred. Subject to such circumstances, the Series D Preferred and the Series E Auction Rate Preferred are perpetual.

The Series D Preferred and the Series E Auction Rate Preferred are not obligations of the Fund. The Series D Preferred and the Series E Auction Rate Preferred would be junior in respect of dividends and liquidation preference to any indebtedness incurred by the Fund, including any senior securities of the Fund representing debt. Although unlikely, precipitous declines in the value of the Fund s assets could result in the Fund having insufficient assets to redeem all of the Series D Preferred and the Series E Auction Rate

Preferred for the full redemption price.

The Fund currently uses, and intends to continue to use, financial leverage for investment purposes by issuing preferred shares and senior securities representing debt. It is currently anticipated that, taking into account the Series D Preferred and the Series E Auction Rate Preferred being offered in this prospectus, the amount of leverage will represent approximately 22% of the Fund s managed assets (as defined below). The Fund expects that depending on interest rates and available investment opportunities it will increase its financial leverage through the issuance of additional senior securities up to approximately 33% of the Fund s total assets including the proceeds of the Series D Preferred and the Series E Auction Rate Preferred. The Fund s leveraged capital structure creates special risks not associated with unleveraged funds having a similar investment objective and policies. These include the possibility of greater loss and the likelihood of higher volatility of the net asset value of the Fund and the asset coverage for the Series D Preferred and the Series E Auction Rate Preferred. Such volatility may increase the likelihood of the Fund having to sell investments in order to meet its obligations to make dividend payments on the preferred shares or principal or interest payments on debt securities, or to redeem preferred shares or repay debt, when it may be disadvantageous to do so. Also, if the Fund is utilizing leverage, a decline in net asset value could affect the ability of the Fund to make common share dividend payments and such a failure to pay dividends or make distributions could result in the Fund ceasing to qualify as a regulated investment company under the Code. See Taxation.

Because the fee paid to the Investment Adviser will be calculated on the basis of the Fund s assets, which includes for this purpose assets attributable to the aggregate net asset value of the common shares plus assets attributable to any outstanding senior securities, with no deduction for the liquidation preference of any preferred shares, the fee may be higher when leverage in the form of preferred shares is utilized, giving the Investment Adviser an incentive to utilize such leverage. However, the Investment Adviser has agreed to reduce the management fee on the incremental assets attributable to the Series D Preferred or Series E Auction Rate Preferred during the fiscal year if the total return of the net asset value of common shares, including distributions and advisory fee subject to reduction for that year, does not exceed the stated dividend rate or corresponding swap rate of each particular series or preferred stock for the period. The Fund's total return on the net asset value of common share is monitored on a monthly basis to assess whether the total return on the net asset value of the common shares exceeds the stated dividend rate or corresponding swap rate of each particular series of cumulative preferred stock for the period. The test to confirm the accrual of the management fee on the assets attributable to each particular series of preferred stock is annual. The Fund will accrue for the management fee on these assets during the fiscal year if it appears probable that the Fund will incur the management fee on those additional assets. For the six months ended June 30, 2005, the Fund s total return on the net asset value of the common shares exceeded the stated dividend rate or net swap expense of the Series C Auction Market Preferred. Thus, management fees were accrued on these assets. The Fund s total return on the net asset value of the common shares did not exceed the stated dividend rate or net swap expense of the Series A Preferred and Series B Auction Market Preferred. Thus, management fees with respect to the liquidation value of those preferred stock assets in the amount of $892,603 were not accrued. See Risk Factors and Special Considerations Risks Associated with both Series D Preferred and the Series E Auction Rate Preferred Leverage Risk.

As provided in the 1940 Act, and subject to compliance with the Fund s investment limitations, the Fund may issue senior securities representing debt. In the event the Fund were to issue such securities, the Fund s obligations to pay dividends and, upon liquidation of the Fund, liquidation payments in respect of its preferred shares would be subordinate to the Fund s obligations to make any principal and interest payments due and owing with respect to its outstanding debt securities. Accordingly, the Fund s issuance of senior securities representing debt would have the effect of creating special risks for the Fund s preferred shareholders (including the holders of Series D Preferred and Series E Auction Rate Preferred) that would not be present in a capital structure that did not include such securities. See Risk Factors and Special Considerations Risks Associated with both Series D Preferred and Series E Auction Rate Preferred Special Risks to Preferred Shares of Senior Securities Representing Debt.

Restrictions imposed on the declaration and payment of dividends or other distributions to the holders of the Fund s common shares and preferred shares, both by the 1940 Act and by requirements imposed by rating agencies, might impair the Fund s ability to maintain its qualification as a regulated investment company for federal income tax purposes. While the Fund intends to redeem its preferred shares (including the Series D Preferred and the Series E Auction Rate Preferred) to the extent necessary to enable the Fund to distribute its income as required to maintain its qualification as a regulated investment company under the Code, there can be no assurance that such actions can be effected in time to meet the Code requirements. See Taxation in the SAI.

The underwriters have advised the issuer that the underwriters and various other broker-dealers and other firms that participate in the auction rate securities market received letters from the staff of the Securities and Exchange Commission in the spring of 2004. The letters requested that each of these firms voluntarily conduct an investigation regarding its respective practices and procedures in that market. Pursuant to these requests, each underwriter conducted its own voluntary review and reported its findings to the staff of the Securities and Exchange Commission. At the staff of the Securities and Exchange Commission request, the underwriters are engaging in discussions with the staff concerning its inquiry. Neither the underwriters nor the issuer can predict the ultimate outcome of the inquiry or how that outcome will affect the market for the auction rate securities or the auctions.

The Fund has adopted a policy, which may be changed at any time by the Board of Trustees, of paying a dividend on its common shares of $0.10 per month, which is equal to an annual rate of 6% of the original issue price of the common shares. In the event investment returns do not provide sufficient amounts to fund such distributions, the Fund may be required to return capital as part of such distribution, which may have the effect of decreasing the asset coverage per share with respect to the Fund s Series D Preferred and Series E Auction Rate Preferred. A portion of the Fund s dividends to date have 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.

The Fund focuses its investments on dividend-paying common and preferred stocks that the Investment Adviser believes are undervalued or inexpensive relative to other investments. These types of securities may present risks in addition to the general risks associated with investing in common and preferred stocks. The Fund focuses its investments on dividend-paying common and preferred stocks that the Investment Adviser believes are undervalued or inexpensive relative to other investments. These types of securities may present risks in addition to the general risks associated with investing in common and preferred stocks including the risk of incorrectly estimating certain fundamental factors. In addition, during certain time periods market dynamics may strongly favor growth stocks of issuers that do not display strong fundamentals relative to market price based upon positive price momentum and other factors. See Risk Factors and Special Considerations Risks of Investing in the Fund

Value Investing Risk.

As a non-diversified, closed-end management investment company under the 1940 Act, the Fund may invest a greater portion of its assets in a more limited number of issuers than may a diversified fund, and accordingly, an investment in the Fund may, under certain circumstances, present greater risk to an investor than an investment in a diversified company. See Risk Factors and Special Considerations Risks of Investing in the Fund Non-Diversified Status.

The Fund may invest up to 25% of its assets in the securities of companies principally engaged in a single industry. In the event the Fund makes substantial investments in a single industry, the Fund would become more susceptible to adverse economic or regulatory occurrences affecting that industry. See Risk Factors and Special Considerations Risks of Investing in the Fund Industry Concentration Risk.

Special risks associated with the Fund s investing in preferred securities include deferral of distributions or dividend payments, in some cases the right of an issuer never to pay missed dividends, subordination, illiquidity, limited voting rights and redemption by the issuer. Because the Fund has no limit on its investment in non-cumulative preferred securities, the amount of dividends the Fund pays may be adversely affected if an issuer of a non-cumulative preferred stock held by the Fund determines not to pay dividends on such stock. There is no assurance that dividends or distributions on preferred stock in which the Fund invests will be declared or otherwise made payable. See Risk Factors and Special Considerations Risks of Investing in the Fund Special Risks Related to Preferred Securities.

The Fund has no limit on the amount of its net assets it may invest in unregistered and otherwise illiquid investments. Unregistered securities are securities that cannot be sold publicly in the United States without registration under the Securities Act of 1933. Unregistered securities generally can be resold only in privately negotiated transactions with a limited number of purchasers or in a public offering registered under the Securities Act. Considerable delay could be encountered in either event and, unless otherwise contractually provided for, the Fund s proceeds upon sale may be reduced by the costs of registration or underwriting discounts. The difficulties and delays associated with such transactions could result in the Fund s inability to realize a favorable price upon disposition of unregistered securities, and at times might make disposition of such securities impossible. See Risk Factors and Special Considerations Risks of Investing in the Fund Illiquid Securities.

The Fund may invest up to 35% of its total assets in foreign securities. Investing in securities of foreign companies (or foreign governments), which are generally denominated in foreign currencies, may involve certain risks and opportunities not typically associated with investing in domestic companies and could cause the Fund to be affected favorably or unfavorably by changes in currency exchange rates and revaluation of currencies. See Risk Factors and Special Considerations Risks of Investing in the Fund Foreign Securities Risk.

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While the Fund intends to focus on the securities of established suppliers of accepted products and services, the Fund may also invest in smaller companies which may benefit from the development of new products and services. These smaller companies may present greater opportunities for capital appreciation, and may also involve greater investment risk than larger, more established companies. For example, smaller companies may have more limited product lines, market or financial resources, and their securities may trade less frequently and in lower volume than the securities of larger, more established companies. As a result, the prices of the securities of such smaller companies may fluctuate to a greater degree than the prices of securities of other issuers. See Risk Factors and Special Considerations Risks of Investing in the Fund Smaller Companies.

The Fund may invest in the securities of other investment companies to the extent permitted by law. To the extent the Fund invests in the common equity of investment companies, the Fund will bear its ratable share of any such investment company s expenses, including management fees. The Fund will also remain obligated to pay management fees to the Investment Adviser with respect to the assets invested in the securities of other investment companies. In these circumstances, holders of the Fund s common shares will be subject to duplicative investment expenses. See Risk Factors and Special Considerations Risks of Investing in the Fund Investment Companies.

The Fund may invest up to 10% of its total assets in fixed-income securities rated below investment grade by recognized statistical rating agencies or unrated securities of comparable quality. The prices of these lower grade securities are more sensitive to negative developments, such as a decline in the issuer s revenues or a general economic downturn, than are the prices of higher grade securities. Securities of below investment grade quality are predominantly speculative with respect to the issuer s capacity to pay interest and repay principal when due and therefore involve a greater risk of default and are commonly referred to as junk bonds. See Risk Factors and Special Considerations Risks of Investing in the Fund Lower Grade Securities.

The Fund may participate in certain derivative transactions. Such transactions entail certain execution, market, liquidity, hedging and tax risks. Participation in the options or futures markets and in currency exchange transactions involves investment risks and transaction costs to which the Fund would not be subject absent the use of these strategies. If the Investment Adviser s prediction of movements in the direction of the securities, foreign currency or interest rate markets is inaccurate, the consequences to the Fund may leave the Fund in a worse position than if it had not used such strategies. See Risk Factors and Special Considerations Risks of Investing in the Fund Special Risks of Derivative Transactions.

The Fund has entered into an interest rate swap transaction with respect to its outstanding Series B Auction Rate Preferred. The Fund may enter into an interest rate swap or cap transaction with respect to its outstanding Series C Auction Rate Preferred, and may enter into an interest rate swap or cap transaction with respect to all or a portion of the Series E Auction Rate Preferred. The use of interest rate swaps and caps is a highly specialized activity that involves certain risks to the Fund including, among others, counterparty risk and early termination risk. See Risk Factors and Special Considerations Risks of

Investing in the Fund Interest Rate Transactions.

The Fund may seek to earn income by lending portfolio securities to broker-dealers or other institutional borrowers. As with other extensions of credit, there are risks of delay in recovery or even loss of rights in the securities loaned if the borrower of the securities violates the terms of the loan or fails financially. See Risk Factors and Special Considerations Risks of Investing in the Fund Loans of Portfolio Securities.

The Fund is subject to management risk because it is an actively managed portfolio. The Investment Adviser will apply investment techniques and risk analyses in making investment decisions for the Fund, but there can be no guarantee that these will produce the desired results. See Risk Factors and Special Considerations Risks of Investing in the Fund Management Risk.

The Investment Adviser is dependent upon the expertise of Mr. Mario J. Gabelli in providing advisory services with respect to the Fund s investments. If the Investment Adviser were to lose the services of Mr. Gabelli, its ability to service the Fund could be adversely affected. There can be no assurance that a suitable replacement could be found for Mr. Gabelli in the event of his death, resignation, retirement or inability to act on behalf of the Investment Adviser. See Risk Factors and Special Considerations Risks of Investing in the Fund Dependence on Key Personnel.

As a result of the terrorist attacks on the World Trade Center and the Pentagon on September 11, 2001, some of the U.S. Securities Markets were closed for a four-day period. These terrorists attacks, the war in Iraq and its aftermath and other geopolitical events have led to, and may in the future lead to, increased short-term market volatility and may have long-term effects on U.S. and world economies and markets. Similar events in the future or other disruptions of financial markets could affect interest rates, securities exchanges, auctions, secondary trading, ratings, credit risk, inflation and other factors relating to the Series D Preferred and the Series E Auction Rate Preferred. See Risk Factors and Special Considerations Risks of Investing in the Fund Current Developments.

The Fund s governing documents include provisions that could limit the ability of other entities or persons to acquire control of the Fund or convert the Fund to an open-end fund. See Anti-Takeover Provisions of the Fund s Governing Documents.

The Fund has elected and has qualified for, and intends to remain qualified for, federal income tax purposes as a regulated investment company. Qualification requires, among other things, compliance by the Fund with certain distribution requirements. Statutory limitations on distributions on the common shares if the Fund fails to satisfy the 1940 Act s asset coverage requirements could jeopardize the Fund s ability to meet such distribution requirements. The Fund presently intends, however, to purchase or redeem preferred shares to the extent necessary in order to maintain compliance with such asset coverage requirements. See Taxation for a more complete discussion of these and

other federal income tax considerations.

Management and Fees

Gabelli Funds, LLC serves as the Fund s Investment Adviser and is compensated for its services and its related expenses at an annual rate of 1.00% of the Fund s average weekly net assets. As used in this prospectus, net assets means the aggregate net asset value of the common shares (which for purposes of the Investment Adviser s compensation also includes assets attributable to outstanding preferred shares, with no deduction for the liquidation preference of any preferred shares). Notwithstanding the foregoing, the Investment Adviser has voluntarily agreed to reduce the portion of its investment advisory fee attributable to an amount of assets of the Fund equal to the aggregate stated value of the Fund s outstanding Series D Preferred or Series E Auction Rate Preferred, as the case may be, for any calendar year in which the net asset value total return of the Fund allocable to the common shares, including distributions and the advisory fee subject to potential reduction, is less than (i) in the case of the Series D Preferred, the stated annual dividend rate of such series and (ii) in the case of the Series E Auction Rate Preferred, the net cost of capital to the Fund with respect to the Series E Auction Rate Preferred for such year expressed as a percentage (including, without duplication, dividends paid by the Fund on the Series E Auction Rate Preferred and the net cost to the Fund of any associated swap or cap transaction if the Fund hedges its Series E Auction Rate Preferred dividend obligations). This reduction will apply to the portion of the Fund s assets attributable to the Series D Preferred and Series E Auction Rate Preferred, respectively, for so long as any shares of such series remain outstanding. The Investment Adviser is responsible for administration of the Fund and currently utilizes and pays the fees of a third party sub-administrator. See Management of the Fund.

The Securities and Exchange Commission, the New York Attorney General and officials of other states have been conducting inquiries into, and bringing enforcement and other proceedings regarding, trading abuses involving open-end investment companies. The Investment Adviser has received information requests and subpoenas from the Securities and Exchange Commission and the New York Attorney General in connection with these inquiries. The Investment Adviser and its affiliates have been complying with these requests for documents and testimony and have implemented additional compliance policies and procedures in response to recent industry initiatives and their internal reviews of their mutual fund practices in a variety of areas. For further details regarding the Investment Adviser s review in connection with these requests, see Management of the Fund Regulatory Matters.

Repurchase of Common Shares and Anti-takeover Provisions

The Fund s Board of Trustees has authorized the Fund to repurchase its common shares in the open market when the common shares are trading at a discount of 7.5% or more from net asset value. Such repurchases are subject to certain notice and other requirements under the 1940 Act. Since the Fund commenced operations on November 28, 2003, it has repurchased 345,700 of its shares on the open market.

Certain provisions of the Fund s Agreement and Declaration of Trust and By-Laws (collectively, the Governing Documents) may be regarded as anti-takeover provisions. Pursuant to these provisions, only one of three classes of trustees is elected each year, and the affirmative vote of the holders of 75% of the outstanding shares of the Fund are necessary to authorize the conversion of the Fund from a closed-end to an open-end investment company. The overall effect of these provisions is to render more difficult the accomplishment of a merger with, or the assumption of control by, a principal shareholder. These provisions may have the effect of depriving Fund common shareholders of an opportunity to sell their shares at a premium to the prevailing market price. See Anti-Takeover Provisions of the Fund s Governing Documents.

Custodian, Transfer Agent, Auction Agent, and Dividend Disbursing Agent

State Street Bank and Trust Company (the Custodian), 1776 Heritage Drive, North Quincy, Massachusetts 02171, serves as the custodian of the Fund s assets pursuant to a custody agreement. Under the custody agreement, the Custodian holds the Fund s assets in compliance with the 1940 Act. For its services, the Custodian will receive a monthly fee based upon, among other things, the average value of the total assets of the Fund, plus certain charges for securities transactions.

Computershare Shareholder Services, Inc. 250 Royall Street, Canton, Massachusetts 02021, serves as the Fund s dividend disbursing agent, as agent under the Fund s automatic dividend reinvestment and voluntary cash purchase plan, and as transfer agent and registrar with respect to the common shares of the Fund.

Series D Preferred. will also serve as the transfer agent, registrar, dividend paying agent and redemption agent with respect to the Series D Preferred.

Series E Auction Rate Preferred. will serve as the auction agent, transfer agent, registrar, dividend paying agent and redemption agent with respect to the Series E Auction Rate Preferred.

Interest Rate Transactions

The Fund has entered into an interest rate swap transaction with respect to its outstanding Series B Auction Rate Preferred, and may enter into an interest rate swap or cap transaction with respect to all or a portion of its outstanding Series C Auction Rate Preferred. The Fund may enter into interest rate swap or cap transactions in relation to all or a portion of the Series E Auction Rate Preferred in order to manage the impact on its portfolio of changes on the dividend rate of that series of the Auction Rate Preferred. Through these transactions the Fund may, for example, obtain the equivalent of a fixed rate for a series of the Auction Rate Preferred that is lower than the Fund would have to pay if it issued fixed rate preferred shares. The use of interest rate swaps and caps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio security transactions.

In an interest rate swap, the Fund would agree to pay to the other party to the interest rate swap (which is known as the counterparty) periodically a fixed rate payment in exchange for the counterparty agreeing to pay to the Fund periodically a variable rate payment that is intended to approximate the Fund s variable rate payment obligation on a series of the Auction Rate Preferred. In an interest rate cap, the Fund would pay a premium to the counterparty to the interest rate cap and, to the extent that a specified variable rate index exceeds a predetermined fixed rate, the Fund would receive from the counterparty payments of the difference based on the notional amount of such cap. Interest rate swap and cap transactions introduce additional risk because the Fund would remain obligated to pay preferred share dividends when due in accordance with the Statement of Preferences of each of the series of Auction Rate Preferred even if the counterparty defaulted. Depending on the general state of short-term interest rates and the returns on the Fund s portfolio securities at that point in time, such a default could negatively affect the Fund s ability to make dividend payments on its preferred shares. In addition, at the time an interest rate swap or cap transaction reaches its scheduled termination date, there is a risk that the Fund will not be able to obtain a replacement transaction or that the terms of the replacement will not be as favorable as on the expiring transaction. If this occurs, it could have a negative impact on the Fund s ability to make dividend payments on its preferred shares.

A sudden and dramatic decline in interest rates may result in a significant decline in the asset coverage. If the Fund fails to maintain the required asset coverage on its outstanding preferred shares or fails to comply with other covenants, the Fund may, at its option (and in certain circumstances must require), consistent with its Governing Documents and the requirements of the 1940 Act, that some or all of its preferred shares (including the Series D Preferred or the Series E Auction Rate Preferred) be sold back to it (redeemed). Such redemption likely would result in the Fund seeking to terminate early all or a portion of any swap or cap transaction. Early termination of a swap could require the Fund to make a termination payment to the counterparty.

The Fund intends to segregate cash or liquid securities having a value at least equal to the value of the Fund s net payment obligations under any swap transaction, marked to market daily. The Fund does not presently intend to enter into interest rate swap or cap transactions relating to the Series E Auction Rate Preferred in a notional amount in excess of the outstanding amount of the Series E Auction Rate Preferred. The Fund will monitor any such swap with a view to ensuring that the Fund remains in compliance with all applicable regulatory investment policy and tax requirements. See How the Fund Manages Risk Interest Rate Transactions.

FINANCIAL HIGHLIGHTS

The table below sets forth selected financial data for a common share outstanding throughout the period(s) presented. The per share operating performance and ratios for the fiscal periods ended December 31, 2004 and December 31, 2003, have been audited by PricewaterhouseCoopers LLP, the Fund s Independent Registered Public Accounting Firm, as stated in their report which is incorporated by reference into the SAI. The following information should be read in conjunction with the Financial Statements and Notes thereto, which are incorporated by reference into the SAI.

Selected data for a common share of beneficial interest outstanding throughout each period:	**Six Months Ended June 30, 2005**		**Year Ended December 31, 2004**		**Period Ended December 31, 2003(a)**	
	(Unaudited)					
Operating Performance:						
Net asset value, beginning of period	$ 20.12		$ 19.26		$ 19.06	(b)
Net investment income (loss)	0.28		0.40			
Net realized and unrealized gain on investments	0.69		1.80		0.20	
Total from investment operations	0.97		2.20		0.20	
Distributions to Preferred Stock Shareholders:						
Net investment income	(0.05	)(g)	(0.01	)		
Net realized gain on investments	(0.01	)(g)	(0.01	)		
Total distributions to preferred stock shareholders	(0.06	)	(0.02	)		
Net Increase (Decrease) in Net Assets Attributable to Common Shareholders Resulting from Operations	0.91		2.18			
Distributions to Common Shareholders:						
Net investment income	(0.23	)(g)	(0.39	)		
Net realized gain on investments	(0.07	)(g)	(0.24	)		
Return of Capital	(0.30	)(g)	(0.57	)		
Total distributions to common stock shareholders	(0.60	)	(1.20	)		
Capital Share Transactions:						
Increase (decrease) in net asset value from common stock share transactions	0.01		(0.05	)		
Offering costs for common shares charged to paid-in capital			(0.01	)		
Offering costs for preferred shares charged to paid-in capital			(0.06	)		
Total from share capital transactions	0.01		(0.12	)		
Net Asset Value Attributable to Common Shareholders, End of Period	$ 20.44		$ 20.12		$ 19.26	
Net asset value total return***	4.68	%	11.56	%	1.0	%*
Market value, end of period	$ 18.58		$ 17.95		$ 20.00	
Total investment return****	6.99	%	(4.15	)%	0.0	%**

Ratios and Supplemental Data:			
Net assets including liquidation value of preferred shares, end of period (in 000 s)	$ 2,032,679	$ 2,006,703	
Net assets attributable to common shares, end of period (in 000 s)	$ 1,732,679	$ 1,706,703	$1,451,650
Ratio of net investment income to average net assets attributable to common shares	2.82%(c)	2.17%	(0.04)%(c)
Ratio of operating expenses to average net assets attributable to common shares (f)*****	1.19%(c)	1.12%	1.38%(c)
Ratio of operating expenses to average net assets including liquidation value of preferred shares (f)*****	1.01%(c)	1.07%	
Portfolio turnover rate	7.3%	33.3%	0.4%
5.875% Cumulative Preferred Stock Series A			
Liquidation value, end of period (in 000 s)	$ 80,000	$ 80,000	
Total shares outstanding (in 000 s)	3,200	3,200	
Liquidation preference per share	$ 25.00	$ 25.00	
Average market value (d)	$ 24.82	$ 24.68	
Average coverage per share	$ 169.39	$ 167.23	
Auction Rate Series B Cumulative Preferred Stock			
Liquidation value, end of period (in 000 s)	$ 100,000	$ 100,000	
Total shares outstanding (in 000 s)	4	4	
Liquidation preference per share	$ 25,000	$ 25,000	
Average market value (d)	$ 25,000	$ 25,000	
Average coverage per share	$ 169,390	$ 167,225	
Auction Rate Series C Cumulative Preferred Stock			
Liquidation value, end of period (in 000 s)	$ 120,000	$ 120,000	
Total shares outstanding (in 000 s)	5	5	
Liquidation preference per share	$ 25,000	$ 25,000	
Average market value (d)	$ 25,000	$ 25,000	
Average coverage per share	$ 169,390	$ 167,225	
Asset Coverage (e)	678%	669%	

(a) The Gabelli Dividend & Income Trust commenced investment operations on November 28, 2003.

(b) The beginning NAV includes a $0.04 reduction for costs associated with the initial public offering.

(c) Annualized.

(d) Based on weekly prices.

(e) Asset coverage is calculated by combining all series or preferred stock.

(f) The ratios do not include a reduction of expenses for custodian fee credits on cash balances maintained with the custodian. For the six months ended June 30, 2005, the effect of the custodian fee credits was minimal.

(g) Amounts are subject to change and recharacterization at fiscal year end.

* Based on net asset value per share at commencement of operations of $19.06 per share.

** Based on market value per share at initial public offering of $20.00 per share.

*** Based on net asset value per share, adjusted for reinvestment of distributions at net asset value on the ex-divided date. Total return for period of less than one year are not annualized.

**** Based on market value per share, adjusted for reinvestment of distributions on the payment date. Total return for periods or less than one year are not annualized.

***** The Semi-Annual Report to Shareholders for the six months ended June 30, 2005 included the ratios of operating expenses to average net assets attributable to common shares and to average net assets, including liquidation value of preferred shares, both presented before fee reductions. This information contained a computational error and is not necessary for a fair presentation of The Gabelli Dividend & Income Trust s financial highlights and has not been included in the financial highlights table above.

USE OF PROCEEDS

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

THE FUND

The Fund is a non-diversified, closed-end management investment company registered under the 1940 Act. The Fund was organized as a Delaware statutory trust on August 20, 2003, pursuant to an Agreement and Declaration of Trust governed by the laws of the State of Delaware. The Fund commenced its investment operations on November 28, 2003 and, accordingly, has a limited operating history. The Fund s principal office is located at One Corporate Center, Rye, New York 10580-1422.

The Fund has 84,717,505 common shares outstanding, 73,000,000 of which were issued on November 28, 2003, in connection with the Fund s initial public offering and 9,700,000 of which were issued on January 7, 2004, pursuant to an over-allotment option exercised by the Fund s underwriters. The remaining common shares outstanding are owned by the Investment Adviser or its sole shareholder, Gabelli Asset Management Company, Inc. The Fund s common stock currently trades on the NYSE under the symbol GDV. The Fund s Series A Preferred are listed and traded on the NYSE under the symbol GDV PrA .

The following table provides information about the Fund s outstanding shares as of September 15, 2005.

Title of Class	**Amount Authorized**	**Amount held by the Fund for its Account**	**Amount Outstanding***
Common Shares	Unlimited	0	84,717,505
Preferred Shares			
Series A Preferred	Unlimited	0	3,200,000
Series B Auction Rate Preferred	Unlimited	0	4,000
Series C Auction Rate Preferred	Unlimited	0	4,800

* Does not include the Series D Preferred or Series E Auction Rate Preferred being offered pursuant to this prospectus.

CAPITALIZATION

The following table sets forth the unaudited capitalization of the Fund as of September 15, 2005, and its adjusted capitalization assuming the Series D Preferred and the Series E Auction Rate Preferred offered in this prospectus had been issued.

	As of September 15, 2005 (unaudited)			
	Actual		As adjusted	
Preferred shares, $0.001 par value, unlimited shares authorized. (The Actual column reflects the Fund s outstanding capitalization as of September 15, 2005; the As Adjusted column assumes the issuance of 4,000,000 shares of Series D Preferred and 4,000 shares of Series E Auction Rate Preferred, $25 and $25,000 liquidation preference, respectively)	$	300,000,000	$	500,000,000
Shareholders equity applicable to common shares:				
Common shares, $.001 par value per share; 84,717,505 shares outstanding		84,718		84,718
Paid-in surplus*		1,561,555,095		1,556,805,095
Distributions in excess of net investment income		9,868,323		9,868,323
Net unrealized appreciation		218,000,740		218,000,740
Net assets applicable to common shares	$	1,789,508,876	$	1,784,758,876
Net assets, plus the liquidation preference of preferred shares	$	2,089,508,876	$	2,284,758,876

* As adjusted paid-in surplus reflects a deduction for the sales load and estimated offering cost of the Series D Preferred and/or the Series E Auction Rate Preferred issuance of $4,750,000.

For financial reporting purposes the Fund is required to deduct the liquidation preference of its outstanding preferred shares and the principal amount of its outstanding senior debt from net assets, so long as the senior securities have redemption features that are not solely within the control of the Fund. For all regulatory purposes, the Fund s preferred shares will be treated as equity (rather than debt).

INVESTMENT OBJECTIVE AND POLICIES

Investment Objective

The Fund s investment objective is to provide a high level of total return with an emphasis on dividends and income. Under normal market conditions, the Fund will invest at least 80% of the value of its total assets in dividend paying or income producing equity or debt securities.

Investment Methodology of the Fund

In selecting securities for the Fund, the Investment Adviser normally will consider the following factors, among others:

the Investment Adviser s own evaluations of the private market value (which is defined below), cash flow, earnings per share and other fundamental aspects of the underlying assets and business of the company;

the interest or dividend income generated by the securities;

the potential for capital appreciation of the securities;

the prices of the securities relative to other comparable securities;

whether the securities are entitled to the benefits of call protection or other protective covenants; and

the existence of any anti-dilution protections or guarantees of the security.

The Investment Adviser s investment philosophy with respect to debt and equity 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. The Investment Adviser also normally evaluates an issuer s free cash flow and long-term earnings trends. Finally, the Investment Adviser looks for a catalyst, something indigenous to the company, its industry or country that will surface additional value.

Certain Investment Practices

Equity Securities. Under normal market conditions the Fund will invest at least 50% of its total assets in dividend paying equity securities, *i.e.*, common stocks and preferred stocks.

Common stocks represent the residual ownership interest in the issuer and holders of common stock are entitled to the income and increase in the value of the assets and business of the issuer after all of its debt obligations and obligations to preferred shareholders are satisfied. Common stocks generally have voting rights. Common stocks fluctuate in price in response to many factors including historical and prospective earnings of the issuer, the value of its assets, general economic conditions, interest rates, investor perceptions and market liquidity.

Equity securities also include preferred stock (whether or not convertible into common stock) and debt securities convertible into or exchangeable for common or preferred stock. Preferred stock has a preference over common stock in liquidation (and generally dividends as well) but is subordinated to the liabilities of the issuer in all respects. As a general rule the market value of preferred stock with a fixed dividend rate and no conversion element varies inversely with interest rates and perceived credit risk, while the market price of convertible preferred stock generally also reflects some element of conversion value. Because preferred stock is junior to debt securities and other obligations of the issuer, deterioration in the credit quality of the issuer will cause greater changes in the value of a preferred stock than in a more senior debt security with similarly stated yield characteristics. The market value of preferred stock will also generally reflect whether (and if so when) the issuer may force holders to sell their preferred stock back to the issuer and whether (and if so when) the holders may force the issuer to buy back their preferred stock. Generally speaking, the right of the issuer to repurchase the preferred stock tends to reduce any premium at which the preferred stock might otherwise trade due to interest rate or credit factors, while the right of the holders to require the issuer to repurchase the preferred stock tend to reduce any discount at which the preferred stock might otherwise trade due to interest rate or credit factors. In addition, some preferred stocks are non-cumulative, meaning that the dividends do not accumulate and need not ever be paid. A portion of the portfolio may include investments in non-cumulative preferred stocks, whereby the issuer does not have an obligation to make up any arrearages to its shareholders. There is no assurance that dividends or distributions on non-cumulative preferred stocks in which the Fund invests will be declared or otherwise made payable.

Securities that are convertible into or exchangeable for preferred or common stock are liabilities of the issuer but are generally subordinated to more senior elements of the issuer s balance sheet. Although such securities also generally reflect an element of conversion value, their market value also varies with interest rates and perceived credit risk. Many convertible securities are not investment grade, that is, not rated BBB or better by S&P or Baa or better by Moody s or considered by the Investment Adviser to be of similar quality. There is no minimum credit rating or independent investment limitation for these securities in which the Fund may invest. Preferred stocks and convertible securities may have many of the same characteristics and risks as nonconvertible debt securities. See Lower Grade Securities.

The Investment Adviser believes that preferred stock and convertible securities of certain companies offer the opportunity for capital appreciation and periodic income. This is particularly true in the case of companies that have performed below expectations. If a company s performance has been poor enough, its preferred stock and convertible securities may trade more like common stock than like fixed income securities, which may result in above average appreciation if the company s performance improves. Even if the credit quality of such a company is not in question, the market price of its convertible securities may reflect little or no element of conversion value if the price of its common stock has fallen substantially below the conversion price. This can result in the possibility of capital appreciation if the price of the company s common stock recovers.

Lower Grade Securities. The Fund may invest up to 10% of its total assets in fixed-income nonconvertible securities rated in the lower rating categories of recognized statistical rating agencies or non-rated securities of comparable quality. These securities, which may be preferred stock or debt, are predominantly speculative and involve major risk exposure to adverse conditions. Debt securities that are rated lower than BBB by S&P or lower than Baa by Moody s (or unrated debt securities of comparable quality) are referred to in the financial press as junk bonds.

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

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

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

As part of its investments in lower grade securities, the Fund may invest in securities of issuers in default. The Fund will make an investment in securities of issuers in default only when the Investment Adviser believes that such issuers will honor their obligations or emerge from bankruptcy protection and the value of these securities will appreciate. By investing in securities of issuers in default, the Fund bears the risk that these issuers will not continue to honor their obligations or emerge from bankruptcy protection or that the value of the securities will not otherwise appreciate.

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

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

The market for lower grade and comparable unrated securities has experienced periods of significantly adverse price and liquidity several times, particularly at or around times of economic recessions. Past market recessions have adversely affected the value of such securities and the ability of certain issuers of such securities to repay principal and pay interest thereon or to refinance such securities. The market for those securities may react in a similar fashion in the future.

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

In general, securities which are the subject of such an offer or proposal sell at a premium to their historic market price immediately prior to the announcement of the offer or may also discount what the stated or appraised value of the security would be if the contemplated transaction were approved or consummated. Such investments may be advantageous when the discount significantly overstates the risk of the contingencies involved; significantly undervalues the securities, assets or cash to be received by shareholders of the prospective portfolio company as a result of the contemplated transaction; or fails adequately to recognize the possibility that the offer or proposal may be replaced or superseded by an offer or proposal of greater value. The evaluation of such contingencies requires unusually broad knowledge and experience on the part of the Investment Adviser which must appraise not only the value of the issuer and its component businesses and the assets or securities to be received as a result of the contemplated transaction but also the financial resources and business motivation of the offeror and/or the dynamics and business climate when the offer or proposal is in process. The Investment Adviser has experience investing in securities subject to reorganization as a secondary strategy, and since 1993 the Investment Adviser has advised a registered open-end fund which from time to time uses risk arbitrage as a principal investment strategy. Since such investments are ordinarily short-term in nature, they will tend to increase the turnover ratio of the Fund, thereby increasing its brokerage and other transaction expenses. The Investment Adviser intends to select investments of this type which, in its view, have a reasonable prospect of capital appreciation which is significant in relation to both risk involved and the potential of available alternative investments.

Temporary Defensive Investments. Under normal market conditions at least 80% of the Fund s assets will consist of dividend paying securities, *i.e.*, common stock and other equity securities of foreign and domestic companies which have historically paid periodic dividends to holders, or income securities, *i.e.*, non-dividend paying equity or debt securities having a history of regular payments or accrual of income to holders. However, when a temporary defensive posture is believed by the Investment Adviser to be warranted (temporary defensive periods), the Fund may without limitation hold cash or invest its assets in money market instruments and repurchase agreements in respect of those instruments. The money market instruments in which the Fund may invest are obligations of the U.S. government, its agencies or instrumentalities; commercial paper rated A-1 or higher by S&P or Prime-1 by Moody s; and certificates of deposit and bankers acceptances issued by domestic branches of U.S. banks that are members of the Federal Deposit Insurance Corporation. During temporary defensive periods, the Fund may also invest to the extent permitted by applicable law in shares of money market mutual funds, which, under current law, in the absence of an exemptive order will not be affiliated with the Investment Adviser. Money market mutual funds are investment companies and the investments in those companies by the Fund are in some cases subject to certain fundamental investment restrictions and applicable law. As a shareholder in a mutual fund, the Fund will bear its ratable share of its expenses, including management fees, and will remain subject to payment of the fees to the Investment Adviser, with respect to assets so invested. See Management of the Fund General. The Fund may find it more difficult to achieve it investment objective during temporary defensive periods.

Options. The Fund may purchase or sell, *i.e.*, write, options on securities, securities indices and foreign currencies which are listed on a national securities exchange or in the over-the-counter (OTC) market, as a means of achieving additional return or of hedging the value of the Fund s portfolio. A call option is a contract that, in return for a premium, gives the holder of the option the right to buy from the writer of the call option the security or currency underlying the option at a specified exercise price at any time during the term of the option. The writer of the call option has the obligation, upon exercise of the option, to deliver the underlying security or currency upon payment of the exercise price during the option period. A put option is the reverse of a call option, giving the holder the right, in return for a premium, to sell the underlying security to the writer, at a specified price, and obligating the writer to purchase the underlying security from the holder at that price. The Fund may purchase call or put options as long as the aggregate initial margins and premiums, measured at the time of such investment, do not exceed 10% of the fair market value of the Fund s total assets.

If the Fund has written an option, it may terminate its obligation by effecting a closing purchase transaction. This is accomplished by purchasing an option of the same series as the option previously written. However, once the Fund has been assigned an exercise notice, the Fund will be unable to effect a closing purchase transaction. Similarly, if the Fund is the holder of an option it may liquidate its position by effecting a closing sale transaction. This is accomplished by selling an option of the same series as the option previously purchased. There can be no assurance that either a closing purchase or sale transaction can be effected when the Fund so desires.

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

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

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

Futures Contracts and Options on Futures. The Fund may purchase and sell financial futures contracts and options thereon which are traded on a commodities exchange or board of trade for certain hedging, yield enhancement and risk management purposes. A financial futures contract is an agreement to purchase or sell an agreed amount of securities or currencies at a set price for delivery in the future. These futures contracts and related options may be on debt securities, financial indices, securities indices, U.S. government securities and foreign currencies. The Investment Adviser has claimed an exclusion from the definition of the term commodity pool operator under the Commodity Exchange Act and therefore is not subject to registration under the Commodity Exchange Act. Accordingly, the Fund s investments in derivative instruments described in this Prospectus and the SAI are not limited by or subject to regulation under the Commodity Exchange Act or otherwise regulated by the Commodity Futures Trading Commission.

Forward Foreign Currency Exchange Contracts. Subject to guidelines of the Board of Trustees, the Fund may enter into forward foreign currency exchange contracts to protect the value of its portfolio against uncertainty in the level of future currency exchange rates. The Fund may enter into such contracts on a spot, *i.e.*, cash, basis at the rate then prevailing in the currency exchange market or on a forward basis, by entering into a forward contract to purchase or sell currency. A forward contract on foreign currency is an obligation to purchase or sell a specific currency at a future date, which may be any fixed number of days agreed upon by the parties from the date of the contract at a price set on the date of the contract. The Fund expects to invest in forward currency contracts for hedging or currency risk management purposes and not in order to speculate on currency exchange rate movements. The Fund will only enter into forward currency contracts with parties which it believes to be creditworthy.

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

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

Short Sales. The Fund may make short sales of securities. A short sale is a transaction in which the Fund sells a security it does not own in anticipation that the market price of that security will decline. The market value of the securities sold short of any one issuer will not exceed either 10% of the Fund s total assets or 5% of such issuer s voting securities. The Fund also will not make a short sale, if, after giving effect to such sale, the market value of all securities sold short exceeds 25% of the value of its assets. The Fund may also make short sales against the box without respect to such limitations. In this type of short sale, at the time of the sale, the Fund owns, or has the immediate and unconditional right to acquire at no additional cost, the identical security.

The Fund expects to make short sales both to obtain capital gains from anticipated declines in securities and as a form of hedging to offset potential declines in long positions in the same or similar securities. The short sale of a security is considered a speculative investment technique. Short sales against the box may be subject to special tax rules, one of the effects of which may be to accelerate income to the Fund.

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

If the price of the security sold short increases between the time of the short sale and the time the Fund replaces the borrowed security, the Fund will incur a loss; conversely, if the price declines, the Fund will realize a capital gain. Any gain will be decreased, and any loss will be increased, by the transaction costs incurred by the Fund, including the costs associated with providing collateral to the broker-dealer (usually cash, U.S. government securities or other highly liquid debt securities) and the maintenance of collateral with its custodian. Although the Fund s gain is limited to the price at which it sold the security short, its potential loss is theoretically unlimited.

Repurchase Agreements. Repurchase agreements may be seen as loans by the Fund collateralized by an underlying debt securities. Under the terms of a typical repurchase agreement, the Fund would acquire an underlying debt obligation for a relatively short period (usually not more than one week) subject to an obligation of the seller to repurchase, and the Fund to resell, the obligation at an agreed price and time. This arrangement results in a fixed rate of return to the Fund that is not subject to market fluctuations during the holding period. The Fund bears a risk of loss in the event that the other party to a repurchase agreement defaults on its obligations and the Fund is delayed in or prevented from exercising its rights to dispose of the collateral securities, including the risk of a possible decline in the value of the underlying securities during the period in which it seeks to assert these rights. The Investment Adviser, acting under the supervision of the Board of Trustees of the Fund, reviews the creditworthiness of those banks and dealers with which the Fund enters into repurchase agreements to evaluate these risks and monitors on an ongoing basis the value of the securities subject to repurchase agreements to ensure that the value is maintained at the required level. The Fund will not enter into repurchase agreements with the Investment Adviser or any of its affiliates.

Restricted and Illiquid Securities. The Fund may invest in securities for which there is no readily available trading market or are otherwise illiquid. Illiquid securities include securities legally restricted as to resale, such as commercial paper issued pursuant to Section 4(2) of the Securities Act of 1933 and securities eligible for resale pursuant to Rule 144A thereunder. Section 4(2) and Rule 144A securities may, however, be treated as liquid by the Investment Adviser pursuant to procedures adopted by the Board of Trustees, which require consideration of factors such as trading activity, availability of market quotations and number of dealers willing to purchase the security. If the Fund invests in Rule 144A securities, the level of portfolio illiquidity may be increased to the extent that eligible buyers become uninterested in purchasing such securities.

It may be difficult to sell such securities at a price representing the fair value until such time as such securities may be sold publicly. Where registration is required, a considerable period may elapse between a decision to sell the securities and the time when it would be permitted to sell. Thus, the Fund may not be able to obtain as favorable a price as that prevailing at the time of the decision to sell. The Fund may also acquire securities through private placements under which it may agree to contractual restrictions on the resale of such securities. Such restrictions might prevent their sale at a time when such sale would otherwise be desirable.

Foreign Securities. The Fund may invest up to 35% of its total assets in securities of non-U.S. issuers, which are generally denominated in foreign currencies. See Risk Factors and Special Considerations Risks of Investing in the Fund Foreign Securities.

The Fund may purchase sponsored American Depository Receipts (ADRs) or U.S. dollar-denominated securities of foreign issuers, which will not be included in this foreign securities limitation. ADRs are receipts issued by United States banks or trust companies in respect of securities of foreign issuers held on deposit for use in the United States securities markets.

Industry Concentration. The Fund may invest up to 25% of its total assets in securities of issuers in a single industry. See Risk Factors and Special Considerations Risks of Investing in the Fund Industry Concentration Risk.

Leveraging. As provided in the 1940 Act and subject to certain exceptions, the Fund may issue senior securities (which may be stock, such as preferred shares, or securities representing debt) so long as its total assets, less certain ordinary course liabilities, exceed 300% of the amount of the debt outstanding and exceed 200% of the amount of preferred shares and debt outstanding. Any such preferred shares may be convertible in accordance with Securities and Exchange Commission staff guidelines, which may permit each fund to obtain leverage at attractive rates. The use of leverage magnifies the impact of changes in net asset value. For example, a fund that uses 33% leverage will show a 1.5% increase or decline in net asset value for each 1% increase or decline in the value of its total assets. In addition, if the cost of leverage exceeds the return on the securities acquired with the proceeds of leverage, the use of leverage will diminish rather than enhance the return to the Fund. The use of leverage generally increases the volatility of returns to the Fund. See Risk Factors and Special Considerations Risks Associated with both the Series D Preferred and Series E Auction Rate Preferred Leverage Risk.

In the event the Fund had both outstanding preferred shares (such as the Series D Preferred or the Series E Auction Rate Preferred) and senior securities representing debt at the same time, the Fund s obligations to pay dividends and, upon liquidation of the Fund, liquidation payments in respect of its preferred stock would be subordinate to the Fund s obligations to make any principal and/or interest payments due and owing with respect to its outstanding senior debt securities. Accordingly, the Fund s issuance of senior securities representing debt would have the effect of creating special risks for the Fund s preferred shareholders (including the holders of Series D Preferred and/or Series E Auction Rate Preferred) that would not be present in a capital structure that did not include such securities. See Risk Factors and Special Considerations Risks Associated with both the Series D Preferred and Series E Auction Rate Preferred Special Risks to Preferred Shares of Senior Securities Representing Debt.

Further information on the investment objectives and policies of the Fund are set forth in the SAI.

Investment Restrictions. The Fund has adopted certain investment restrictions as fundamental policies of the Fund. Under the 1940 Act, a fundamental policy may not be changed without the vote of a majority, as defined in the 1940 Act, of the outstanding voting securities of the Fund (voting together as a single class). In addition, pursuant to the Fund s Series D Statement of Preferences and Statement of Preferences of the Series E Auction Rate Preferred , a majority, as defined in the 1940 Act, of the outstanding preferred shares of the Fund (voting separately as a single class) is also required to change a fundamental policy. The Fund s investment restrictions are more fully discussed under Investment Restrictions in the SAI.

Loans of Portfolio Securities. To increase income, the Fund may lend its portfolio securities to securities broker-dealers or financial institutions if the loan is collateralized in accordance with applicable regulatory requirements.

If the borrower fails to maintain the requisite amount of collateral, the loan automatically terminates and the Fund could use the collateral to replace the securities while holding the borrower liable for any excess of replacement cost over the value of the collateral. As with any extension of credit, there are risks of delay in recovery and in some cases even loss of rights in collateral should the borrower of the securities violate the terms of the loan or fail financially. There can be no assurance that borrowers will not fail financially. On termination of the loan, the borrower is required to return the securities to the Fund, and any gain or loss in the market price during the loan would inure to the Fund. If the other party to the loan petitions for bankruptcy or becomes subject to the United States Bankruptcy Code, the law regarding the rights of the Fund is unsettled. As a result, under extreme circumstances, there may be a restriction on the Fund s ability to sell the collateral and the Fund would suffer a loss. See Investment Objective and Policies Additional Investment Policies Loans of Portfolio Securities in the SAI.

Portfolio Turnover. The Fund will buy and sell securities to accomplish its investment objective. The investment policies of the Fund may lead to frequent changes in investments, particularly in periods of rapidly fluctuating interest or currency exchange rates.

Portfolio turnover generally involves some expense to the Fund, including brokerage commissions or dealer mark-ups and other transaction costs on the sale of securities and reinvestment in other securities. The portfolio turnover rate is computed by dividing the lesser of the amount of the securities purchased or securities sold by the average monthly value of securities owned during the year (excluding securities whose maturities at acquisition were one year or less). Higher portfolio turnover may decrease the after-tax return to individual investors in the Fund to the extent it results in a decrease of the long term capital gains portion of distributions to shareholders.

For the six months ended June 30, 2005, the portfolio turnover rate of the Fund was 7.3%. The Fund anticipates that its portfolio turnover rate will generally not exceed 100%.

Further information on the investment objective and policies of the Fund are set forth in the SAI.

RISK FACTORS AND SPECIAL CONSIDERATIONS

Investors should consider the following risk factors and special considerations associated with investing in the Fund.

Preferred Shares

Special Risks of the Series D Preferred

Fluctuations in Market Price. The market price for the Series D Preferred will be influenced by changes in interest rates, the perceived credit quality of the Series D Preferred and other factors.

Illiquidity Risk. Prior to the offering, there has been no public market for the Series D Preferred. In the event the Series D Preferred is issued, prior application will have been made to list the Series D Preferred on the NYSE. However, during an initial period, which is not expected to exceed 30 days after the date of its issuance, the Series D Preferred may not be listed on any securities exchange. During such period, the underwriters may make a market in the Series D Preferred, however, they have no obligation to do so. Consequently, the Series D Preferred may be illiquid during such period. No assurances can be provided that listing on any securities exchange or market making by the underwriters will result in the market for Series D Preferred being liquid at any time.

Special Risks of the Series E Auction Rate Preferred

Auction Risk. You may not be able to sell your Series E Auction Rate Preferred at an auction if the auction fails, *i.e.*, if there are more Series E Auction Rate Preferred offered for sale than there are buyers for those shares. Also, if you place an order at an auction to retain Series E Auction Rate Preferred only at a specified rate that exceeds the rate set at the auction, you will not retain your Series E Auction Rate Preferred. Additionally, if you place a hold order without specifying a rate below which you would not wish to continue to hold your shares and the auction sets a below-market rate, you will receive a lower rate of return on your shares than the market rate. Finally, the dividend period may be changed, subject to certain conditions and with notice to the holders of the affected series of Series E Auction Rate Preferred, which could also affect the liquidity of your investment. See Description of the Series D Preferred and Series E Auction Rate Preferred and The Auction of Series E Auction Rate Preferred.

Secondary Market Sale Risk. If you try to sell your Series E Auction Rate Preferred between auctions, you may not be able to sell them for $25,000 per share or $25,000 per share plus accumulated dividends. If the Fund has designated a special dividend period of more than seven days, changes in interest rates could affect the price you would receive if you sold your shares in the secondary market. Broker-dealers that may maintain a secondary trading market for a series of the Series E Auction Rate Preferred are not required to maintain this market, and the Fund is not required to redeem the Series E Auction Rate Preferred if either an auction or an attempted secondary market sale fails because of a lack of buyers. In addition, a broker-dealer may, in its own discretion, decide to sell Series E Auction Rate Preferred in the secondary market to investors at any time and at any price, including at prices equivalent to, below or above the par value of the Series E Auction Rate Preferred. The Series E Auction Rate Preferred are not listed on a stock exchange or the NASDAQ stock market. If you sell your Series E Auction Rate Preferred to a broker-dealer between auctions, you may receive less than the price you paid for them, especially when market interest rates have risen since the last auction or during a special dividend period.

You may not be able to sell some or all of your auction rate securities at an auction if the auction fails; that is, if there are more auction rate securities offered for sale than there are buyers for those auction rate securities. Also, if you place hold orders (orders to retain auction rate securities) at an auction only at a specified rate, and that specified rate exceeds the rate set at the auction, you will not retain your auction rate securities. If you submit a hold order for auction rate securities without specifying a minimum rate, and the auction sets a below-market rate, you may receive a below-market rate of return on your auction rate securities. See Description of the Notes Auction Rate Securities in the accompanying prospectus.

As noted above, if there are more auction rate securities offered for sale than there are buyers for those auction rate securities in any auction, the auction will fail and you may not be able to sell some or all of your auction rate securities at that time. The relative buying and selling interest of market participants in your auction rate securities and in the auction rate securities market as a whole will vary over time, and such variations may be affected by, among other things, news relating to the issuer, the attractiveness of alternative investments, the perceived risk of owning the security (whether related to credit, liquidity or any other risk), the tax treatment accorded the instruments, the accounting treatment accorded auction rate securities, including recent clarifications of U.S. generally accepted accounting principles relating to the treatment of auction rate securities, reactions to regulatory actions or press reports, financial reporting cycles and market sentiment generally. Shifts of demand in response to any one or simultaneous particular events cannot be predicted and may be short-lived or exist for longer periods.

A broker-dealer may submit orders in auctions for its own account. Any broker-dealer submitting an order for its own account in any auction will have an advantage over other bidders in that it would have knowledge of other orders placed through it in that auction (but it would not have knowledge of orders submitted by other broker-dealers, if any). As a result of the broker-dealer bidding, the auction clearing rate may be higher or lower than the rate that would have prevailed if the broker-dealer had not bid. A broker-dealer may also bid in order to prevent what would otherwise be a failed auction, or an auction clearing at a rate that the broker-dealer believes does not reflect the market for such securities at the time of the auction. Broker-dealers may, but are not obligated to, advise holders of the auction rate securities that the rate that will apply in an all hold auction is often a lower rate than would apply if holders submit bids, and such advice, if given, may facilitate the submission of bids by existing holders that would avoid the occurrence of an all hold auction. A broker-dealer may, but is not obligated to, encourage additional or revised investor bidding in order to prevent an all-hold auction.

The underwriters have advised the issuer that the underwriters and various other broker-dealers and other firms that participate in the auction rate securities market received letters from the staff of the Securities and Exchange Commission in the spring of 2004. The letters requested that each of these firms voluntarily conduct an investigation regarding its respective practices and procedures in that market. Pursuant to these requests, each underwriter conducted its own voluntary review and reported its findings to the staff of the Securities and Exchange Commission. At the staff of the Securities and Exchange Commission request, the underwriters are engaging in discussions with the staff concerning its inquiry. Neither the underwriters nor the issuer can predict the ultimate outcome of the inquiry or how that outcome will affect the market for the auction rate securities or the auctions.

Risks Associated With Both the Series D Preferred and Series E Auction Rate Preferred

General Risks of Preferred Shares. There are a number of risks associated with an investment in the Series D Preferred or the Series E Auction Rate Preferred.

The market value for the Series D Preferred and/or Series E Auction Rate Preferred will be influenced by changes in interest rates, the perceived credit quality of the Series D Preferred or the Series E Auction Rate Preferred and other factors.

The credit rating on the Series D Preferred and/or the Series E Auction Rate Preferred could be reduced or withdrawn while an investor holds shares, and the credit rating does not eliminate or mitigate the risks of investing in the Series D Preferred and/or the Series E Auction Rate Preferred. A reduction or withdrawal of the credit rating would likely have an adverse effect on the market value of the Series D Preferred and the Series E Auction Rate Preferred.

The Fund may not meet the asset coverage requirements or earn sufficient income from its investments to pay dividends on the Series D Preferred and/or the Series E Auction Rate Preferred.

The value of the Fund s investment portfolio may decline, reducing the asset coverage for the Series D Preferred and/or the Series E Auction Rate Preferred. Further, if an issuer of a common stock in which the Fund invests experiences financial difficulties or if an issuer s preferred stock or debt security is downgraded or defaults or if an issuer in which the Fund invests is affected by other adverse market factors, there may be a negative impact on the income and/or asset value of the Fund s investment portfolio. In such circumstances, the Fund may be forced to mandatorily redeem shares of Series D Preferred and/or Series E Auction Rate Preferred.

In general, the Fund may redeem your Series E Auction Rate Preferred at any time and may redeem your Series D Preferred at any time after , 2010 and may at any time redeem shares of either or both series to meet regulatory or rating agency requirements. Because of historically low interest rates, the current low cost of the Series E Auction Rate Preferred to the Fund may rise dramatically, which in turn may prompt the Fund to redeem the Series E Auction Rate Preferred earlier than it otherwise might. The Series D Preferred and/or each series of Series E Auction Rate Preferred are subject to redemption under specified circumstances and investors may not be able to reinvest the proceeds of any such redemption in an investment providing the same or a better rate than that of the Series D Preferred or the Series E Auction Rate Preferred. Subject to such circumstances, the Series D Preferred and/or the Series E Auction Rate Preferred are perpetual.

The Series D Preferred and the Series E Auction Rate Preferred are not obligations of the Fund. The Series D Preferred and/or the Series E Auction Rate Preferred would be junior in respect of dividends and liquidation preference to any indebtedness incurred by the Fund, including any senior securities of the Fund representing debt. Although unlikely, precipitous declines in the value of the Fund s assets could result in the Fund having insufficient assets to redeem all of the Series D Preferred and/or the Series E Auction Rate Preferred for the full redemption price.

Leverage Risk. The Fund uses financial leverage for investment purposes by issuing preferred shares, and may issue additional preferred, and/or senior securities representing debt. It is currently anticipated that, taking into account the Series D Preferred and/or the Series E Auction Rate Preferred being offered in this prospectus, the amount of leverage will represent approximately 22% of the Fund s total assets. The Fund expects that depending on interest rates and available investment opportunities it will increase its financial leverage through the issuance of additional senior securities up to approximately 33% of the Fund s total assets including the proceeds of the Series D Preferred and/or the Series E Auction Rate Preferred. The Fund s leveraged capital structure creates special risks not associated with unleveraged funds having a similar investment objective and policies. These include the possibility of greater loss and the likelihood of higher volatility of the net asset value of the Fund and the asset coverage for the Series D Preferred and/or Series E Auction Rate Preferred. Such volatility may increase the likelihood of the Fund having to sell investments in order to meet its obligations to make dividend payments on the preferred shares or principal or interest payments on debt securities, or to redeem preferred shares or repay debt, when it may be disadvantageous to do so. Also, if the Fund is utilizing leverage, a decline in net asset value could affect the ability of the Fund to make common share dividend payments and such a failure to pay dividends or make distributions could result in the Fund ceasing to qualify as a regulated investment company under the Code. See Taxation.

Because the fee paid to the Investment Adviser will be calculated on the basis of the Fund s net assets, which includes for this purpose assets attributable to the aggregate net asset value of the common shares plus assets attributable to any outstanding preferred shares, with no deduction for the liquidation preference of any preferred shares, the fee may be higher when leverage in the form of preferred shares is utilized, giving the Investment Adviser an incentive to utilize such leverage. However, the Investment Adviser has agreed to reduce the management fee on the incremental assets attributable to the Series D Preferred or Series E Auction Rate Preferred during the fiscal year if the total return of the net asset value of common shares, including distributions and advisory fee subject to reduction for that year, does not exceed the stated dividend rate or corresponding swap rate of each particular series or preferred stock for the period. The Fund s total return on the net asset value of common share is monitored on a monthly basis to assess whether the total return on the net asset value of the common shares exceeds the stated dividend rate or corresponding swap rate of each particular series of cumulative preferred stock for the period. The test to confirm the accrual of the management fee on the assets attributable to each particular series of preferred stock is annual. The Fund will accrue for the management fee on these assets during the fiscal year if it appears probable that the Fund will incur the management fee on those additional assets. For the six months ended June 30, 2005, the Fund s total return on the net asset value of the common shares exceeded the stated dividend rate or net swap expense of the Series C Auction Market Preferred. Thus, management fees were accrued on these assets. The Fund s total return on the net asset value of the common shares did not exceed the stated dividend rate or net swap expense of the Series A Preferred and Series B Auction Market Preferred. Thus, management fees with respect to the liquidation value of those preferred stock assets in the amount of $892,603 were not accrued.

Special Risks to Preferred Shares of Senior Securities Representing Debt. As provided in the 1940 Act, and subject to compliance with the Fund s investment limitations, the Fund may issue senior securities representing debt. In the event the Fund were to issue such securities, the Fund s obligations to pay dividends and, upon liquidation of the Fund, liquidation payments in respect of its preferred shares would be subordinate to the Fund s obligations to make any principal and/or interest payments due and owing with respect to its outstanding senior debt securities. Accordingly, the Fund s issuance of senior securities representing debt would have the effect of creating special risks for the Fund s preferred shareholders (including the holders of Series D Preferred and/or Series E Auction Rate Preferred) that would not be present in a capital structure that did not include such securities.

Restrictions on Dividends and Other Distributions. Restrictions imposed on the declaration and payment of dividends or other distributions to the holders of the Fund s common shares and preferred shares, both by the 1940 Act and by requirements imposed by rating agencies, might impair the Fund s ability to maintain its qualification as a regulated investment company for federal income tax purposes. While the Fund intends to redeem its preferred shares (including the Series D Preferred and/or the Series E Auction Rate Preferred) to the extent necessary to enable the Fund to distribute its income as required to maintain its qualification as a regulated investment company under the Code, there can be no assurance that such actions can be effected in time to meet the Code requirements. See Taxation in the SAI.

Risks of Investing in the Fund

Common Stock Dividend Policy Risk. The Fund has adopted a policy, which may be changed at any time by the Board of Trustees, of paying a monthly distribution on its common shares of $0.10 per share, which is equal to an annual rate of 6% of the original issue price of the common shares. In the event investment returns do not provide sufficient amounts to fund such distributions, the Fund may be required to return capital as part of such distribution, which may have the effect of decreasing the asset coverage per share with respect to the Fund s outstanding preferred shares (including the Series D Preferred and the Series E Auction Rate Preferred). A portion of the Fund s dividends to date have 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.

Value Investing Risk. The Fund focuses its investments on dividend-paying common and preferred stocks that the Investment Adviser believes are undervalued or inexpensive relative to other investments. These types of securities may present risks in addition to the general risks associated with investing in common and preferred stocks. These securities generally are selected on the basis of an issuer s fundamentals relative to current market price. Such securities are subject to the risk of mis-estimation of certain fundamental factors. In addition, during certain time periods market dynamics may strongly favor growth stocks of issuers that do not display strong fundamentals relative to market price based upon positive price momentum and other factors. Disciplined adherence to a value investment mandate during such periods can result in significant underperformance relative to overall market indices and other managed investment vehicles that pursue growth style investments and/or flexible equity style mandates.

Non-Diversified Status. The Fund is classified as a "non-diversified" investment company under the 1940 Act, which means the Fund is not limited by the 1940 Act in the proportion of its assets that may be invested in the securities of a single issuer. However, the Fund has in the past conducted and intends to conduct its operations so as to qualify as a "regulated investment company," or RIC, for purposes of the Code, which will relieve it of any liability for federal income tax to the extent its earnings are distributed to shareholders. To qualify as a "regulated investment company," among other requirements, the Fund will limit its investments so that, with certain exceptions, at the close of each quarter of the taxable year (a) not more than 25% of the market value of its total assets will be invested in the securities (other than U.S. government securities or the securities of other RICs) of a single issuer or any two or more issuers that the Fund controls and which are determined to be engaged in the same, similar or related trades or businesses; and (b) at least 50% of the market value of the Fund s assets will be represented by cash, securities of other regulated investment companies, U.S. government securities 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 not more than 10% of the outstanding voting securities of such issuer.

As a non-diversified investment company, the Fund may invest in the securities of individual issuers to a greater degree than a diversified investment company. As a result, the Fund may be more vulnerable to events affecting a single issuer and therefore, subject to greater volatility than a fund that is more broadly diversified. Accordingly, an investment in the Fund may present greater risk to an investor than an investment in a diversified company.

Industry Concentration Risk. The Fund may invest up to 25% of its total assets in securities of a single industry. Should the Fund chose to do so, the net asset value of the Fund will be more susceptible to factors affecting those particular types of companies, which, depending on the particular industry, may include, among others: governmental regulation; inflation; cost increases in raw materials, fuel and other operating expenses; technological innovations that may render existing products and equipment obsolete; and increasing interest rates resulting in high interest costs on borrowings needed for capital investment, including costs associated with compliance with environmental and other regulations. In such circumstances the Fund s investments may be subject to greater risk and market fluctuation than a fund that had securities representing a broader range of industries.

Special Risks Related to Preferred Securities. **There are special risks associated with the Fund s investing in preferred securities, including:**

Deferral. Preferred securities may include provisions that permit the issuer, at its discretion, to defer distributions for a stated period without any adverse consequences to the issuer. If the Fund owns a preferred security that is deferring its distributions, the Fund may be required to report income for tax purposes although it has not yet received such income.

Non-Cumulative Dividends. Some preferred stocks are non-cumulative, meaning that the dividends do not accumulate and need not ever be paid. A portion of the portfolio may include investments in non-cumulative preferred securities, whereby the issuer does not have an obligation to make up any arrearages to its shareholders. Should an issuer of a non-cumulative preferred stock held by the Fund determine not to pay dividends on such stock, the Fund s return from that security may be adversely affected. There is no assurance that dividends or distributions on non-cumulative preferred stocks in which the Fund invests will be declared or otherwise made payable.

Subordination. Preferred securities are subordinated to bonds and other debt instruments in a company s capital structure in terms of priority to corporate income and liquidation payments, and therefore will be subject to greater credit risk than more senior debt security instruments.

Liquidity. Preferred securities may be substantially less liquid than many other securities, such as common stocks or U.S. Government securities.

Limited Voting Rights. Generally, preferred security holders (such as the Fund) have no voting rights with respect to the issuing company unless preferred dividends have been in arrears for a specified number of periods, at which time the preferred security holders may be entitled to elect a number of trustees to the issuer s board. Generally, once all the arrearages have been paid, the preferred security holders no longer have voting rights.

Special Redemption Rights. In certain varying circumstances, an issuer of preferred securities may redeem the securities prior to a specified date. For instance, for certain types of preferred securities, a redemption may be triggered by a change in federal income tax or securities laws. A redemption by the issuer may negatively impact the return of the security held by the Fund.

Illiquid Securities. The Fund has no limit on the amount of its net assets it may invest in unregistered and otherwise illiquid investments. Unregistered securities are securities that cannot be sold publicly in the United States without registration under the Securities Act of 1933. Unregistered securities generally can be resold only in privately negotiated transactions with a limited number of purchasers or in a public offering registered under the Securities Act of 1933. Considerable delay could be encountered in either event and, unless otherwise contractually provided for, the Fund s proceeds upon sale may be reduced by the costs of registration or underwriting discounts. The difficulties and delays associated with such transactions could result in the Fund s inability to realize a favorable price upon disposition of unregistered securities, and at times might make disposition of such securities impossible.

Foreign Securities Risk. The Fund may invest up to 35% of its total assets in the securities of foreign issuers. Investments in the securities of foreign issuers involve certain considerations and risks not ordinarily associated with investments in securities of domestic issuers. Foreign companies are not generally subject to uniform accounting, auditing and financial standards and requirements comparable to those applicable to U.S. companies. Foreign securities exchanges, brokers and listed companies may be subject to less government supervision and regulation than exists in the United States. Dividend and interest income may be subject to withholding and other foreign taxes, which may adversely affect the net return on such investments. There may be difficulty in obtaining or enforcing a court judgment abroad. In addition, it may be difficult to effect repatriation of capital invested in certain countries. In addition, with respect to certain countries, there are risks of expropriation, confiscatory taxation, political or social instability or diplomatic developments that could affect assets of the Fund held in foreign countries.

There may be less publicly available information about a foreign company than a U.S. company. Foreign securities markets may have substantially less volume than U.S. securities markets and some foreign company securities are less liquid than securities of otherwise comparable U.S. companies. A portfolio of foreign securities may also be adversely affected by fluctuations in the rates of exchange between the currencies of different nations and by exchange control regulations. Foreign markets also have different clearance and settlement procedures that could cause the Fund to encounter difficulties in purchasing and selling securities on such markets and may result in the Fund missing attractive investment opportunities or experiencing loss. In addition, a portfolio that includes foreign securities can expect to have a higher expense ratio because of the increased transaction costs on non-U.S. securities markets and the increased costs of maintaining the custody of foreign securities. The Fund does not have an independent limit on the amount of its assets that it may invest in the securities of foreign issuers.

The Fund also may purchase ADRs or U.S. dollar-denominated securities of foreign issuers. ADRs are receipts issued by United States banks or trust companies in respect of securities of foreign issuers held on deposit for use in the United States securities markets. While ADRs may not necessarily be denominated in the same currency as the securities into which they may be converted, many of the risks associated with foreign securities may also apply to ADRs. In addition, the underlying issuers of certain depositary receipts, particularly unsponsored or unregistered depositary receipts, are under no obligation to distribute shareholder communications to the holders of such receipts, or to pass through to them any voting rights with respect to the deposited securities.

Smaller Companies. While the Fund intends to focus on the securities of established suppliers of accepted products and services, the Fund may also invest in smaller companies which may benefit from the development of new products and services. These smaller companies may present greater opportunities for capital appreciation, and may also involve greater investment risk than larger, more established companies. For example, smaller companies may have more limited product lines, market or financial resources and their securities may trade less frequently and in lower volume than the securities of larger, more established companies. As a result, the prices of the securities of such smaller companies may fluctuate to a greater degree than the prices of securities of other issuers.

Investment Companies. The Fund may invest in the securities of other investment companies to the extent permitted by law. To the extent the Fund invests in the common equity of investment companies, the Fund will bear its ratable share of any such investment company s expenses, including management fees. The Fund will also remain obligated to pay management fees to the Investment Adviser with respect to the assets invested in the securities of other investment companies. In these circumstances holders of the Fund s common shares will be subject to duplicative investment expenses.

Lower Grade Securities. The Fund may invest up to 10% of its total assets in nonconvertible preferred stock or debt securities rated in the lower rating categories of nationally recognized statistical rating organizations (*i.e.*, rated Ba or lower by Moody s or BB or lower by S&P or Fitch) or unrated securities of comparable quality, and an unlimited percentage of it assets in convertible bonds of such quality. These high yield securities, also sometimes referred to as junk bonds, generally pay a premium above the yields of U.S. government securities or debt securities of investment grade issuers because they are subject to greater risks than these securities. These risks, which reflect their speculative character, include the following:

greater volatility;

greater credit risk and risk of default;

potentially greater sensitivity to general economic or industry conditions;

potential lack of attractive resale opportunities (illiquidity); and

additional expenses to seek recovery from issuers who default.

In addition, the prices of these lower grade securities are more sensitive to negative developments, such as a decline in the issuer s revenues or a general economic downturn, than are the prices of higher grade securities. Lower grade securities tend to be less liquid than investment grade securities. The market value of lower grade securities may be more volatile than the market value of investment grade securities and generally tends to reflect the market s perception of the creditworthiness of the issuer and short-term market developments to a greater extent than investment grade securities, which primarily reflect fluctuations in general levels of interest rates.

Ratings are relative and subjective and not absolute standards of quality. Securities ratings are based largely on the issuer s historical financial condition and the rating agencies analysis at the time of rating. Consequently, the rating assigned to any particular security is not necessarily a reflection of the issuer s current financial condition.

As a part of its investments in lower grade fixed-income securities, the Fund may invest in the securities of issuers in default. The Fund will invest in securities of issuers in default only when the Investment Adviser believes that such issuers will honor their obligations and emerge from bankruptcy protection and that the value of such issuers securities will appreciate. By investing in the securities of issuers in default, the Fund bears the risk that these issuers will not continue to honor their obligations or emerge from bankruptcy protection or that the value of these securities will not otherwise appreciate.

For a further description of lower grade securities and the risks associated therewith, see Investment Objective and Policies Certain Investment Practices Lower Grade Securities. For a description of the ratings categories of certain recognized statistical ratings agencies, see Appendix A to this prospectus.

Special Risks of Derivative Transactions. Participation in the options or futures markets and in currency exchange transactions involves investment risks and transaction costs to which the Fund would not be subject absent the use of these strategies. If the Investment Adviser s prediction of movements in the direction of the securities, foreign currency and interest rate markets is inaccurate, the consequences to the Fund may leave the Fund in a worse position than if it had not used such strategies. Risks inherent in the use of options, foreign currency, futures contracts and options on futures contracts, securities indices and foreign currencies include:

dependence on the Investment Adviser s ability to predict correctly movements in the direction of interest rates, securities prices and currency markets;

imperfect correlation between the price of options and futures contracts and options thereon and movements in the prices of the securities or currencies being hedged;

the fact that skills needed to use these strategies are different from those needed to select portfolio securities;

the possible absence of a liquid secondary market for any particular instrument at any time;

the possible need to defer closing out certain hedged positions to avoid adverse tax consequences;

the possible inability of the Fund to purchase or sell a security at a time that otherwise would be favorable for it to do so, or the possible need for the Fund to sell a security at a disadvantageous time due to a need for the Fund to maintain cover or to segregate securities in connection with the hedging techniques; and

the creditworthiness of counterparties.

Futures Transactions. The Fund may invest without limit in futures contracts. Futures and options on futures entail certain risks, including but not limited to the following:

no assurance that futures contracts or options on futures can be offset at favorable prices;

possible reduction of the return of the Fund due to the use of hedging;

possible reduction in value of both the securities hedged and the hedging instrument;

possible lack of liquidity due to daily limits or price fluctuations;

imperfect correlation between the contracts and the securities being hedged; and

losses from investing in futures transactions that are potentially unlimited and the segregation requirements for such transactions.

Forward Currency Exchange Contracts. There is no independent limit on the Fund s ability to invest in foreign currency exchange contracts. The use of forward currency contracts may involve certain risks, including the failure of the counterparty to perform its obligations under the contract and that the use of forward contracts may not serve as a complete hedge because of an imperfect correlation between movements in the prices of the contracts and the prices of the currencies hedged or used for cover.

Counterparty Risk. The Fund will be subject to credit risk with respect to the counterparties to the derivative contracts purchased by the Fund. If a counterparty becomes bankrupt or otherwise fails to perform its obligations under a derivative contract due to financial difficulties, the Fund may experience significant delays in obtaining any recovery under the derivative contract in bankruptcy or other reorganization proceeding. The Fund may obtain only a limited recovery or may obtain no recovery in such circumstances.

For a further description of such derivative investments, see Investment Objective and Policies Additional Investment Policies in the SAI.

Loans of Portfolio Securities. Consistent with applicable regulatory requirements and the Fund s investment restrictions, the Fund may lend its portfolio securities to securities broker-dealers or financial institutions, provided that such loans are callable at any time by the Fund (subject to notice provisions described in the SAI), and are at all times secured by cash or cash equivalents, which are maintained in a segregated account pursuant to applicable regulations and that are at least equal to the market value, determined daily, of the loaned securities. The advantage of such loans is that the Fund continues to receive the income on the loaned securities while at the same time earning interest on the cash amounts deposited as collateral, which will be invested in short-term obligations. The Fund will not lend its portfolio securities if such loans are not permitted by the laws or regulations of any state in which its shares are qualified for sale. The Fund s loans of portfolio securities will be collateralized in accordance with applicable regulatory requirements.

For a further description of such loans of portfolio securities, see Investment Objective and Policies Additional Investment Policies Loans of Portfolio Securities in the SAI.

Management Risk. The Fund is subject to management risk because it is an actively managed portfolio. The Investment Adviser will apply investment techniques and risk analyses in making investment decisions for the Fund, but there can be no guarantee that these will produce the desired results.

Interest Rate Transactions. The Fund has entered into an interest rate swap transaction with respect to its outstanding Series B Auction Rate Preferred. The Fund may enter into an interest rate swap or cap transaction with respect to its outstanding Series C Auction Rate Preferred, and may enter into an interest rate swap or cap transaction with respect to all or a portion of the Series E Auction Rate Preferred. The use of interest rate swaps and caps is a highly specialized activity that involves certain risks to the Fund including, among others, counterparty risk and early termination risk. See How the Fund Manages Risk Interest Rate Transactions.

Dependence on Key Personnel. The Investment Adviser is dependent upon the expertise of Mr. Mario J. Gabelli in providing advisory services with respect to the Fund s investments. If the Investment Adviser were to lose the services of Mr. Gabelli, its ability to service the Fund could be adversely affected. There can be no assurance that a suitable replacement could be found for Mr. Gabelli in the event of his death, resignation, retirement or inability to act on behalf of the Investment Adviser.

Current Developments. As a result of the terrorist attacks on the World Trade Center and the Pentagon on September 11, 2001, some of the U.S. Securities Markets were closed for a four-day period. These terrorists attacks, the war in Iraq and its aftermath and other geopolitical events have led to, and may in the future lead to, increased short-term market volatility and may have long-term effects on U.S. and world economies and markets. Similar events in the future or other disruptions of financial markets could affect interest rates, securities exchanges, auctions, secondary trading, ratings, credit risk, inflation and other factors relating to the Series D Preferred and/or the Series E Auction Rate Preferred.

Anti-Takeover Provisions. The Fund s Governing Documents include provisions that could limit the ability of other entities or persons to acquire control of the Fund or convert the Fund to an open-end fund. See Anti-Takeover Provisions of the Fund s Governing Documents.

Status as a Regulated Investment Company. The Fund has elected and has qualified, and intends to remain qualified, for federal income tax purposes as a regulated investment company. Qualification requires, among other things, compliance by the Fund with certain distribution requirements. Statutory limitations on distributions on the common shares if the Fund fails to satisfy the 1940 Act s asset coverage requirements could jeopardize the Fund s ability to meet such distribution requirements. The Fund presently intends, however, to purchase or redeem preferred shares to the extent necessary in order to maintain compliance with such asset coverage requirements. See Taxation for a more complete discussion of these and other federal income tax considerations.

HOW THE FUND MANAGES RISK

Investment Restrictions

The Fund has adopted certain investment limitations, some of which are fundamental policies of the Fund, designed to limit investment risk and maintain portfolio diversification. Under the 1940 Act, a fundamental policy may not be changed without the vote of a majority, as defined in the 1940 Act, of the outstanding voting securities of the Fund (voting together as a single class). In, addition, pursuant to the Fund s Series D Statement of Preferences and Statement of Preferences of each of the series of Auction Rate Preferred, a majority, as defined in the 1940 Act, of the outstanding preferred shares of the Fund (voting separately as a single class) is also required to change a fundamental policy. The Fund may become subject to guidelines that are more limiting than its current investment restrictions in order to obtain and maintain ratings from Moody s and S&P on its preferred shares.

Interest Rate Transactions

The Fund has entered into an interest rate swap transaction with respect to its outstanding Series B Auction Rate Preferred. The Fund may enter into interest rate swap or cap transactions in relation to its outstanding Series C Auction Rate Preferred, and may enter into an interest rate swap or cap transaction with respect to all or a portion of the Series E Auction Rate Preferred in order to manage the impact on its portfolio of changes in the dividend rate of a series of the Series E Auction Rate Preferred. Through these transactions the Fund may, for example, obtain the equivalent of a fixed rate for a series of the Auction Rate Preferred that is lower than the Fund would have to pay if it issued fixed rate preferred shares.

The use of interest rate swaps and caps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio security transactions. In an interest rate swap, the Fund would agree to pay to the other party to the interest rate swap (which is known as the counterparty) periodically a fixed rate payment in exchange for the counterparty agreeing to pay to the Fund periodically a variable rate payment that is intended to approximate the Fund s variable rate payment obligation on a series of the Auction Rate Preferred. In an interest rate cap, the Fund would pay a premium to the counterparty to the interest rate cap and, to the extent that a specified variable rate index exceeds a predetermined fixed rate, would receive from the counterparty payments of the difference based on the notional amount of such cap. Interest rate swap and cap transactions introduce additional risk because the Fund would remain obligated to pay preferred share dividends when due in accordance with the Statement of Preferences of the relevant series of the Auction Rate Preferred even if the counterparty defaulted. Depending on the general state of short-term interest rates and the returns on the Fund s portfolio securities at that point in time, such a default could negatively affect the Fund s ability to make dividend payments on the Auction Rate Preferred. In addition, at the time an interest rate swap or cap transaction reaches its scheduled termination date, there is a risk that the Fund will not be able to obtain a replacement transaction or that the terms of the replacement will not be as favorable as on the expiring transaction. If this occurs, it could have a negative impact on the Fund s ability to make dividend payments on the Auction Rate Preferred. To the extent there is a decline in interest rates, the value of the interest rate swap or cap could decline, resulting in a decline in the asset coverage for the Auction Rate Preferred. A sudden and dramatic decline in interest rates may result in a significant decline in the asset coverage. Under the Series D Statement of Preferences and Statement of Preferences for each series of the Auction Rate Preferred, if the Fund fails to maintain the required asset coverage on the outstanding preferred shares (including the Series D Preferred and Series E Auction Rate Preferred) or fails to comply with other covenants, the Fund may, at its option (and in certain circumstances will be required to), mandatorily redeem some or all of these shares. The Fund may also choose to redeem some or all of the Series E Auction Rate Preferred at any time. Such redemption would likely result in the Fund seeking to terminate early all or a portion of any swap or cap transaction. Early termination of a swap could result in a termination payment by the Fund to the counterparty, while early termination of a cap could result in a termination payment to the Fund.

The Fund will usually enter into swaps or caps on a net basis; that is, the two payment streams will be netted out in a cash settlement on the payment date or dates specified in the instrument, with the Fund receiving or paying, as the case may be, only the net amount of the two payments. The Fund intends to segregate cash or liquid securities having a value at least equal to the value of the Fund s net payment obligations under any swap

transaction, marked to market daily. The Fund does not presently intend to enter into interest rate swap or cap transactions relating to the Series E Auction Rate Preferred in a notional amount in excess of the outstanding amount of the Series E Auction Rate Preferred. The Fund will monitor any such swap with a view to ensuring that the Fund remains in compliance with all applicable regulatory investment policy and tax requirements.

MANAGEMENT OF THE FUND

General

The Fund s Board of Trustees (who, with the Fund s officers, are described in the SAI) has overall responsibility for the management of the Fund. The Board decides upon matters of general policy and reviews the actions of the Investment Adviser, Gabelli Funds, LLC, One Corporate Center, Rye, New York 10580-1422, and the Sub-Administrator (as defined below). Pursuant to an investment advisory contract with the Fund, the Investment Adviser, under the supervision of the Fund s Board, provides a continuous investment program for the Fund s portfolio; provides investment research and makes and executes recommendations for the purchase and sale of securities; and provides all facilities and personnel, including officers required for its administrative management and pays the compensation of all officers and trustees of the Fund who are its affiliates. As compensation for its services and the related expenses borne by the Investment Adviser, the Fund pays the Investment Adviser a fee, computed daily and payable monthly, equal, on an annual basis, to 1.00% of the Fund s average weekly net assets. As used in this prospectus, net assets means the aggregate net asset value of the common shares (which includes for this purpose assets attributable to outstanding preferred shares, if any, with no deduction for the liquidation preference of such preferred shares). However, the Investment Adviser has voluntarily agreed to reduce the portion of its investment advisory fee attributable to an amount of assets of the Fund equal to the aggregate stated value of, as the case may be, its outstanding Series A or Series D Preferred and/or Series B, Series C or Series E Auction Rate Preferred for any calendar year in which the net asset value total return of the Fund allocable to the common shares, including distributions and the advisory fee subject to potential reduction, is less than (i) in the case of the Series A or Series D Preferred, the stated annual dividend rate of such series and (ii) in the case of the Series B, Series C or Series E Auction Rate Preferred, 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 Series E Auction Rate Preferred dividend obligations). This reduction will apply to the portion of the Fund s assets attributable to the Series D Preferred and Series E Auction Rate Preferred, respectively, for so long as any shares of such series remain outstanding. The Fund's total return on the net asset value of the common share is monitored on a monthly basis to assess whether the total return on the net asset value of the common shares exceeds the stated dividend rate or corresponding swap rate of each particular series of cumulative preferred stock for the period. The test to confirm the accrual of the management fee on the assets attributable to each particular series of preferred stock is annual. The Fund will accrue for the management fee on these assets during the fiscal year if it appears probable that the Fund will incur the management fee on those additional assets.

The Investment Adviser

Gabelli Funds, LLC acts as the Fund s Investment Adviser pursuant to an advisory agreement with the Fund. The Investment Adviser is a New York corporation with principal offices located at One Corporate Center, Rye, New York 10580-1422. The Investment Adviser was organized in 1999 and is the successor to Gabelli Funds, Inc., which was organized in 1980. As of June 30, 2005, the Investment Adviser acted as registered investment adviser to 28 management investment companies with aggregate net assets of $12.8 billion. The Investment Adviser, together with other affiliated investment advisers noted below had assets under management totaling approximately $27.6 billion as of June 30, 2005. GAMCO Asset Management 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 $13.2 billion under management as of June 30, 2005. Gabelli Fixed Income LLC, an affiliate of the Investment Adviser, acts as investment adviser for The Treasurer s Funds (money market funds) and separate accounts having aggregate assets of approximately $400 million under management as of June 30, 2005. Gabelli Advisers, Inc., an affiliate of the Investment Adviser, acts as investment manager to the Westwood Funds having aggregate assets of approximately $400 million under management as of June 30, 2005.

The Investment Adviser is a wholly-owned subsidiary of GAMCO Investors, Inc., a New York corporation, whose Class A Common Stock is traded on the NYSE under the symbol GBL. Mr. Mario J. Gabelli may be deemed a controlling person of the Investment Adviser on the basis of his ownership of a majority of the stock of GGCP, Inc., which owns a majority of the capital stock of GAMCO Investors, Inc.

Payment of Expenses

The Investment Adviser is obligated to pay expenses associated with providing the services contemplated by the investment advisory agreement between the Fund and the Investment Adviser (the Advisory Agreement), including compensation of and office space for its officers and employees connected with investment and economic research, trading and investment management and administration of the Fund (but excluding costs associated with the calculation of the net asset value), and the fees of all trustees of the Fund who are affiliated with the Investment Adviser. The Fund pays all other expenses incurred in its operation including, among other things, offering expenses, expenses for legal and Independent Registered Public Accounting Firm services, rating agency fees, costs of printing proxies, share certificates and shareholder reports, charges of the custodian, any subcustodian, auction agent, transfer agent(s) and dividend paying agent, expenses in connection with its respective automatic dividend reinvestment and voluntary cash purchase plan, Security and Exchange Commission fees, fees and expenses of unaffiliated directors, accounting and pricing costs, including costs of calculating the net asset value of the Fund, membership fees in trade associations, fidelity bond coverage for its officers and employees, directors and officers errors and omission insurance coverage, interest, brokerage costs, taxes, stock exchange listing fees and expenses, expenses of qualifying its shares for sale in various states, litigation and other extraordinary or non-recurring expenses, and other expenses properly payable by the Fund.

Selection of Securities Brokers

The Advisory Agreement contains provisions relating to the selection of securities brokers to effect the portfolio transactions of the Fund. Under those provisions, the Investment Adviser may (i) direct Fund portfolio brokerage to Gabelli & Company, Inc. or other broker-dealer affiliates of the Investment Adviser and (ii) pay commissions to brokers other than Gabelli & Company, Inc. that are higher than might be charged by another qualified broker to obtain brokerage and/or research services considered by the Investment Adviser to be useful or desirable for its investment management of the Fund and/or its other advisory accounts or those of any investment adviser affiliated with it. The SAI contains further information about the Advisory Agreement, including a more complete description of the advisory and expense arrangements, exculpatory and brokerage provisions, and information on the brokerage practices of the Fund.

Portfolio Managers

Mario J. Gabelli is currently and has been responsible for the day-to-day management of the Fund since its formation. Mr. Gabelli has served as Chief Investment Officer Value Portfolios of Gabelli Funds and predecessor since 1980. Mr. Gabelli also serves as Portfolio-Manager for several other funds in the Gabelli fund family. Because of the diverse nature of Mr. Gabelli s responsibilities, he will devote less than all of his time to the day-to-day management at the Fund. Over the past five years, Mr. Gabelli has served as Chairman of the Board and Chief Executive Officer of GAMCO Investors, Inc.; Chief Investment Officer Value Portfolios of GAMCO Asset Management Inc; Vice Chairman of the Board of Lynch Corporation (until 2004), a diversified manufacturing company, and Chairman of the Board and Chief Executive Officer of Lynch Interactive Corporation, a multimedia and communications services company.

Barbara G. Marcin serves as a senior portfolio manager for the Fund. Ms. Marcin joined GAMCO Investors, Inc. in 1999. Ms. Marcin currently serves as the portfolio manager of the Gabelli Blue Chip Value Fund and Gabelli Global Gold, Natural Resources & Income Trust. Prior thereto, she worked at Citibank Global Asset Management where she was head of value investments and was a member of the Global Investment Policy Committee and co-Chair of the U.S. Equity Policy Committee. Prior to joining Citibank, she worked at Fiduciary Trust Company for ten years as a portfolio manager and as an analyst in the Personal Financial Management Group at EF Hutton. Ms. Marcin received a M.B.A. from Harvard University and a B.A. from the University of Virginia.

The SAI provides additional information about the portfolio managers compensation, other accounts managed by the Portfolio Managers, and the Portfolio Managers ownership of securities of the Fund.

Non-Resident Trustees

Karl Otto Pöhl, Anthonie C. van Ekris and Mario d Urso, Trustees of the Fund, reside outside the United States and all or a significant portion of their assets are located outside the United States. None of these trustees has an authorized agent in the United States to receive service of process. As a result, it may not be possible for investors to effect service of process within the United States or to enforce against any director in United States courts judgments predicated upon civil liability provisions of United States securities laws. It may also not be possible to enforce against either trustee in foreign courts judgments of United States courts or liabilities in original actions predicated upon civil liability provisions of the United States.

Sub-Administrator

The Investment Adviser has entered into a sub-administration agreement with PFPC Inc. (the Sub-Administrator) pursuant to which the Sub-Administrator provides certain administrative services necessary for the Fund s operations which do not include the investment and portfolio management services provided by the Investment Adviser. For these services and the related expenses borne by the Sub-Administrator, the Investment Adviser pays a prorated monthly fee at the annual rate of 0.0275% of the first $10 billion of the aggregate average net assets of the Fund and all other funds advised by the Investment Adviser and administered by the Sub-Administrator, 0.0125% of the aggregate average net assets exceeding $10 billion but less than $15 billion and 0.01% of the aggregate average net assets in excess of $15 billion. The Sub-Administrator has its principal office at 760 Moore Road, King of Prussia, Pennsylvania 19406.

Regulatory Matters

The Securities and Exchange Commission, the New York Attorney General and officials of other states have been conducting inquiries into, and bringing enforcement and other proceedings regarding, trading abuses involving open-end investment companies. The Investment Adviser has received information requests and subpoenas from the Securities and Exchange Commission and the New York Attorney General in connection with these inquiries. The Investment Adviser and its affiliates have been complying with these requests for documents and testimony and have implemented additional compliance policies and procedures in response to recent industry initiatives and their internal reviews of their mutual fund practices in a variety of areas. The Investment Adviser has not found any information that it believes would be material to the ability of the Investment Adviser to fulfill its obligations under the Advisory Agreement. More specifically, the Investment Adviser has not found any evidence of facilitating trading in the Gabelli mutual funds after the 4:00 p.m. pricing time or of improper short-term trading in these funds by its investment professionals or senior executives. The Investment Adviser has found that one investor, who had been engaged in short-term trading in one of the Gabelli mutual funds (the prospectus of which did not at that time impose limits on short-term trading) and who had subsequently made an investment in a hedge fund managed by an affiliate of the Investment Adviser, was banned from the mutual fund only after certain other investors were banned. The Investment Adviser believes that this relationship was not material to the Investment Adviser. Inasmuch as both the Investment Adviser s review of its mutual fund practices and the governmental probes of the mutual fund industry are ongoing, no assurance can be provided that additional facts will not come to light in the course of its review that may be material to the Investment Adviser or that the Investment Adviser will not become the subject of enforcement or other proceedings by the Securities and Exchange Commission or the New York Attorney General. In light of the current turmoil in the mutual fund industry arising from the late trading, improper market timing and employee trading problems, there can be no assurance that any such action could not have an adverse impact on the Investment Adviser or on its ability to fulfill its obligations under the Advisory Agreement.

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The Dividend & Income Trust has received the following information from the Adviser. The Adviser was informed by the staff of the SEC that they may recommend to the SEC that the Adviser be held accountable for the actions of two of the seven closed-end funds managed by the Adviser relating to Section 19(a) and Rule 19a-1 of the 1940 Act. These provisions require registered investment companies to provide written statements to shareholders when a distribution is made from a source other than net investment income. While the two funds sent annual statements containing the required information and 1099 statements as required by the IRS, the funds did not send written statements to shareholders with each distribution in 2002 and 2003. The staff indicated that they may recommend to the SEC that administrative remedies be sought, including a monetary penalty. The closed-end funds changed their notification procedure and the Adviser believes that all of the funds are now in compliance. The staff s notice to the Adviser did not relate to the Fund. The Adviser does not expect this action to have any effect on the Fund or any material effect on the Adviser.

PORTFOLIO TRANSACTIONS

Principal transactions are not entered into with affiliates of the Fund. However, Gabelli & Company, Inc., an affiliate of the Investment Adviser, may execute portfolio transactions on stock exchanges and in the over-the-counter markets on an agency basis and receive a stated commission therefor. For a more detailed discussion of the Fund s brokerage allocation practices, see Portfolio Transactions in the SAI.

DIVIDENDS AND DISTRIBUTIONS

The Fund has adopted a policy, which the Board of Trustees may change at any time, of paying monthly distributions of $0.10 per common share, which is equal to an annual rate of 6% of the offering price per common share. This policy permits holders of common shares to realize a predictable, but not assured, level of cash flow and some liquidity periodically with respect to their common shares without having to sell shares. A portion of the Fund s dividends to date have 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 . To avoid paying income tax at the corporate level, the Fund will distribute substantially all of its investment company taxable income and net capital gains.

The Fund may retain for reinvestment, and pay the resulting federal income taxes on, its net capital gain, if any, although, as previously mentioned, the Fund intends to distribute substantially all of its net capital gain each year. In the event that the Fund s investment company taxable income and net capital gains exceed the total of the Fund s quarterly distributions and the amount of distributions on any preferred shares issued by the Fund, the Fund intends to pay such excess once a year. If, for any calendar year, the total quarterly distributions and the amount of distributions on any preferred shares issued by the Fund exceed investment company taxable income and net capital gain, the excess will generally be treated as a tax-free return of capital up to the amount of a shareholder s tax basis in his or her shares. Any distributions to the holders of preferred shares which constitute tax-free return of capital will reduce a shareholder s tax basis in such preferred shares, thereby increasing such shareholder s potential gain or reducing his or her potential loss on the sale of the preferred shares. Any amounts distributed to a preferred shareholder in excess of the basis in the preferred shares will generally be taxable to the shareholder as capital gain. See Taxation.

In the event the Fund distributes amounts in excess of its investment company taxable in