REAVES UTILITY INCOME FUND
Form 497
July 05, 2012
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PROSPECTUS **JULY 2, 2012**

Reaves Utility Income Fund

7,699,623 Common Shares of Beneficial Interest Issuable Upon Exercise of Rights to Subscribe for Such Shares

The Reaves Utility Income Fund (the Fund) is issuing transferable subscription rights (Rights) to its common shareholders of record as of July 9, 2012 (the Record Date and such shareholders, Record Date Shareholders). These Rights will allow Record Date Shareholders to subscribe for new common shares of the Fund in an aggregate amount of approximately 7,699,623 common shares (the Offer). Record Date Shareholders will receive one Right for each common share held on Record Date. For every three Rights held, a Record Date Shareholder may buy one new common share of the Fund. Record Date Shareholders who fully exercise their Rights may also, in certain circumstances, purchase additional common shares pursuant to an over-subscription privilege. The number of Rights to be issued to a Record Date Shareholder will be rounded up to the nearest number of Rights evenly divisible by three. Fractional shares will not be issued upon the exercise of the Rights. Accordingly, new common shares may be purchased only pursuant to the exercise of Rights in integral multiples of three.

The Rights are transferable and will be admitted for trading on the NYSE MKT Equities (NYSE MKT) under the symbol UTG RT during the course of the Offer. The Fund s common shares are currently listed, and the new common shares issued in this Offer will also be listed, on the NYSE MKT under the symbol UTG. On July 2, 2012, the last reported net asset value per common share was $25.52, and the last reported sales price per common share on the NYSE MKT was $27.79.

The Offer will expire at 5:00 p.m., Eastern Time, on August 8, 2012, unless the Offer is extended as described in this Prospectus (the Expiration Date).

The subscription price per common share will be determined based upon a formula equal to 95% of the reported net asset value or market price per common share, whichever is lower on the Expiration Date. Market price per common share will be determined based on the average of the last reported sales prices of a common share on the NYSE MKT for the five trading days preceding the Expiration Date.

Rights holders may not know the subscription price at the time of exercise and will be required initially to pay for both the common shares subscribed for pursuant to the primary subscription and, if eligible, any additional common shares subscribed for pursuant to the over-subscription privilege, at the estimated subscription price of $27.00 per common share and, except in limited circumstances, will not be able to rescind their subscription.

Rights acquired in the secondary market may not participate in the over-subscription privilege.

The Fund is a non-diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended (the 1940 Act). The Fund s investment objective is to

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provide a high level of after-tax income and total return consisting primarily of tax-advantaged dividend income and capital appreciation. The Fund pursues this objective by investing at least 80% of its total assets in the securities of domestic and foreign companies involved to a significant extent in providing products, services or equipment for (i) the generation or distribution of electricity, gas or water, (ii) telecommunications activities or (iii) infrastructure operations, such as airports, toll roads and municipal services (Utilities or the Utility Industry). A company will be deemed to be involved in the Utility Industry to a significant extent if at least 50% of its assets, gross income or profits are committed to or derived from activities in the areas described above.

W.H. Reaves & Co., Inc. (the Investment Adviser or Reaves) serves as the Fund s investment adviser. As of March 30th, 2012, Reaves had approximately $2.36 billion of assets under management. The Investment Adviser s address is 10 Exchange Place, Jersey City, New Jersey 07302. The Fund s address is 1290 Broadway, Suite 1100, Denver, Colorado 80203, and its telephone number is 800-644-5571.

Exercising your Rights and investing in the Fund involves a high degree of risk and may be considered speculative. Before exercising your Rights and investing in the Fund, you should read the discussion of the material risks in Risk Factors in the Prospectus.

In addition, you should consider the following:

Shareholders who do not exercise their Rights will, at the completion of the Offer, own a smaller proportional interest in the Fund than if they exercised their Rights, which will proportionately decrease the relative voting power of those shareholders.

Because the Subscription Price per common share will be below the net asset value per common share on the Expiration Date, you will experience an immediate dilution of the aggregate net asset value of your common shares if you do not participate in the Offer and you will experience a reduction in the net asset value per common share of your common shares whether or not you participate in the Offer.

The Fund cannot state precisely the extent of this dilution if you do not exercise your Rights because the Fund does not know what the net asset value per common share will be when the Offer expires, or what proportion of the Rights will be exercised.

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

	Per common share	Total maximum(3)
Estimated subscription price(1)	$ 27.00	$ 207,889,821
Estimated sales load(1)	None	None
Estimated offering expenses(2)	$ 0.06	$ 500,000
Estimated net proceeds to Fund(1)	$ 26.94	$ 207,389,821

(1) See The Offer The Subscription Price.
(2) Offering expenses payable by the Fund are estimated at approximately $500,000, which includes fees to the subscription agent and information agent estimated to be approximately $112,000 in the aggregate inclusive of out of pocket expenses.
(3) Assumes all Rights are exercised at the estimated subscription price per common share. All of the Rights offered may not be exercised.

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Assuming all common shares offered are purchased in the Offer, the proportionate interest held by non-exercising shareholders will decrease upon completion of the Offer. As with any common stock, the price of the Fund s common shares fluctuate with market conditions and other factors. The common shares are currently trading at a premium to their net asset value. Since the inception of the Fund, the common shares have traded at discounts of as much as 29%. As described more fully in this Prospectus, Record Date Shareholders who fully exercise all Rights initially issued to them are entitled to buy those common shares referred to as primary over-subscription shares, that were not purchased by other Rights holders. If enough primary over-subscription shares are available, all such requests will be honored in full. If the requests for primary over-subscription shares exceed the primary over-subscription shares available, the available primary over-subscription shares will be allocated *pro rata* among those fully exercising Record Date Shareholders who over-subscribe based on the number of Rights originally issued to them by the Fund.

In addition, the Fund, in its sole discretion, may determine to issue additional common shares in an amount of up to 25% of the common shares issued pursuant to the primary subscription, referred to as secondary over-subscription shares. Should the Fund determine to issue some or all of the secondary over-subscription shares, they will be allocated only among Record Date Shareholders who submitted over-subscription requests. Secondary over-subscription shares will be allocated *pro rata* among those fully exercising Record Date Shareholders who over-subscribe based on the number of Rights originally issued to them by the Fund. If common shareholders do not participate in the secondary over-subscription offer (if any), their percentage ownership may be diluted.

An investment in the Fund is not appropriate for all investors. No assurances can be given that the Fund will achieve its investment objective. Further, the Fund s ability to pursue its investment objective, the value of the Fund s investments and the Fund s net asset value may be adversely affected by changes in tax rates and policies. Because the Fund s investment objective is to provide a high level of after-tax yield and total return consisting primarily of dividend and interest income and capital appreciation, the Fund s ability to invest, and the attractiveness of investing in, equity securities that pay qualified dividend income in relation to other investment alternatives will be affected by changes in federal income tax laws and regulations, including changes in the qualified dividend income provisions. Absent further legislation, higher tax rates will apply to qualified dividend income in taxable years beginning after December 31, 2012. Any proposed or actual changes in such rates, therefore, can significantly and adversely affect the after-tax returns of the Fund s investments in equity securities. Any such changes also could significantly and adversely affect the Fund s net asset value, as well as the Fund s ability to acquire and dispose of equity securities at desirable returns and price levels and the Fund s ability to pursue its investment objective. The Fund cannot assure you as to the portion, if any, of the Fund s dividends that will be qualified dividend income.

This Prospectus sets forth concisely the information about the Fund and the Offer that a prospective investor ought to know before investing in the Fund and participating in the Offer. You should read this Prospectus, which contains important information about the Fund, before deciding whether to invest in the common shares, and retain it for future reference. A Statement of Additional Information dated July 2, 2012 (the Statement of Additional Information), containing additional information about the Fund, has been filed with the Securities and Exchange Commission (SEC) and is incorporated by reference in its entirety into this Prospectus, which means that it is part of this prospectus for legal purposes. You may request a free copy of the Statement of Additional Information (the table of contents of which is on page 74 of this Prospectus), the Fund s Annual and Semi-Annual Reports, request other information about the Fund and make shareholder inquiries by calling (800) 644-5571 (toll-free) or by writing to ALPS Fund Services, Inc., 1290 Broadway, Suite 1100, Denver, Colorado 80203, or obtain a copy of such documents (and other information regarding the Fund) from the Fund s website (www.utilityincomefund.com) or the SEC s web site (http://www.sec.gov). For

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additional information all holders of Rights should contact the Information Agent, Georgeson Inc. (Georgeson) toll free at 888-877-5373 (banks and brokers call 212-440-9800) or send a written request to the Information Agent at 199 Water Street, 26th Floor, New York, New York 10038.

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

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You should rely only on the information contained or incorporated by reference in this prospectus. The Fund has not authorized any other person to provide you with different information. If anyone provides you with different information or inconsistent information, you should not rely on it. The Fund is not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information contained or the representations made herein are accurate only as of the date on the cover page of this prospectus. The Fund s business, financial condition and prospects may have changed since that date.

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PROSPECTUS SUMMARY

This is only a summary. This summary does not contain all of the information that you should consider before exercising your Rights and investing in the Fund. You should review the more detailed information contained in this Prospectus and in the Statement of Additional Information, especially the information set forth under the heading Risk Factors.

The Fund

Reaves Utility Income Fund (the Fund) is a non-diversified, closed-end management investment company. The Fund s outstanding common shares are listed on the NYSE MKT Equities (the NYSE MKT) under the symbol UTG. As of June 27, 2012, the net assets of the Fund were $573,144,413. As of June 27, 2012, the Fund had outstanding 23,111,366 common shares. The Fund has no other outstanding securities. See The Fund.

The purpose of the offer

The Board of Trustees of the Fund (the Board) has determined that it would be in the best interest of the Fund and its existing shareholders to increase the assets of the Fund so that the Fund may be in a better position to take advantage of investment opportunities that may arise without having to reduce existing Fund holdings. This rights offering seeks to reward existing common shareholders by giving them the opportunity to purchase additional common shares at a price that may be below market and/or net asset value without incurring any commission or charge. The distribution of these rights, which themselves may have intrinsic value, will also give non-participating common shareholders the potential of receiving a cash payment upon the sale of their rights, which may be viewed as partial compensation for the possible dilution of their interests in the Fund as a result of this offer.

The Board believes that increasing the size of the Fund may result in certain economies of scale which may lower the Fund s expenses as a proportion of average net assets because the Fund s fixed costs can be spread over a larger asset base. There can be no assurance that by increasing the size of the Fund, the Fund s expense ratio will be lowered. The Board also believes that a larger number of outstanding common shares and a larger number of common shareholders could increase the level of market interest in and visibility of the Fund, and improve the trading liquidity of the Fund s shares on the NYSE MKT.

Important terms of the offer

The Fund is issuing transferable subscription rights (Rights) to its common shareholders of record as of July 9, 2012 (the Record Date and such shareholders, Record Date Shareholders). These Rights will allow Record Date Shareholders to subscribe for new common shares of the Fund in an aggregate amount of approximately 7,699,623 common shares (the Offer). Record Date Shareholders will receive one Right for each common share held on the Record Date. For

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every three Rights held, you may buy one new common share of the Fund. Record Date Shareholders who fully exercise their Rights may also, in certain circumstances, purchase additional common shares pursuant to an over-subscription privilege. The number of Rights to be issued to each Record Date Shareholder will be rounded up to the nearest number of Rights evenly divisible by three. Fractional shares will not be issued upon the exercise of the Rights. Accordingly, new common shares may be purchased only pursuant to the exercise of Rights in integral multiples of three.

The Rights are transferable and will be admitted for trading on the NYSE MKT under the symbol UTG RT during the course of the Offer. The Fund s common shares are currently listed, and the new common shares issued in this Offer will also be listed, on the NYSE MKT under the symbol UTG. On July 2, 2012, the last reported net asset value per common share was $25.52, and the last reported sales price per common share on the NYSE MKT was $27.79.

The Offer will expire at 5:00 p.m., Eastern Time, on August 8, 2012, unless the Offer is extended as described in this Prospectus (the Expiration Date).

The subscription price (Subscription Price) per common share will be determined based upon a formula equal to 95% of the reported net asset value or market price per common share, whichever is lower on the Expiration Date. Market price per common share will be determined based on the average of the last reported sales prices of a common share on the NYSE MKT for the five trading days preceding the Expiration Date. Common shares of the Fund, as a closed-end fund, can trade at a discount to net asset value. Upon expiration of the Offer, common shares will be issued at a price below net asset value per share.

Rights holders may not know the subscription price at the time of exercise and will be required initially to pay for both the common shares subscribed for pursuant to the primary subscription and, if eligible, any additional common shares subscribed for pursuant to the over-subscription privilege at the estimated Subscription Price of $27.00 per common share and, except in limited circumstances, will not be able to rescind their subscription.

Rights acquired in the secondary market may not participate in the over-subscription privilege.

The Right to acquire one common share for each three Rights held during the Subscription Period at the Subscription Price will be referred to in the remainder of this Prospectus as the primary subscription.

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The Fund will not be issuing share certificates for the common shares issued pursuant to this Offer. Issuance of common shares will be made electronically via book entry by Computershare Shareowner Services, LLC (Computershare), the Fund s transfer agent.

Over-subscription privilege

Record Date Shareholders who fully exercise all Rights initially issued to them are entitled to buy those common shares, referred to as primary over-subscription shares, that were not purchased by other Rights holders at the same Subscription Price. If enough primary over-subscription shares are available, all such requests will be honored in full. If the requests for primary over-subscription shares exceed the primary over-subscription shares available, the available primary over-subscription shares will be allocated *pro rata* among those fully exercising Record Date Shareholders who over-subscribe based on the number of Rights originally issued to them by the Fund. Common shares acquired pursuant to the primary over-subscription privilege are subject to allotment.

In addition, the Fund, in its sole discretion, may determine to issue additional common shares in an amount of up to 25% of the common shares issued pursuant to the primary subscription, referred to as secondary over-subscription shares. Should the Fund determine to issue some or all of the secondary over-subscription shares, they will be allocated only among Record Date Shareholders who submitted over-subscription requests. Secondary over-subscription shares will be allocated *pro rata* among those fully exercising Record Date Shareholders who over-subscribe based on the number of Rights originally issued to them by the Fund.

Rights acquired in the secondary market may <u>not</u> participate in the over-subscription privilege.

If common shareholders do not participate in the secondary over-subscription offer (if any), their percentage ownership may be diluted.

Notwithstanding the above, the Board has the right in its absolute discretion to eliminate the over-subscription privilege with respect to either or both primary over-subscription shares and secondary over-subscription shares if it considers it to be in the best interest of the Fund to do so. The Board may make that determination at any time, without prior notice to Rights holders or others, up to and including the seventh day following the Expiration Date. See The Offer Over-Subscription Privilege.

Method for exercising rights

Rights may be exercised by completing and signing the reverse side of the subscription certificate evidencing the Rights (the Subscription Certificate) and mailing it in the envelope

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provided, or otherwise delivering the completed and signed Subscription Certificate to Computershare (the Subscription Agent), together with payment for the common shares as described below under Payment for Shares. Rights may also be exercised through a Rights holder s broker, who may charge the Rights holder a servicing fee in connection with such exercise. See The Offer Method for Exercising Rights and The Offer Payment for Shares.

Sale of Rights

The Rights are transferable until the completion of the Subscription Period and will be admitted for trading on the NYSE MKT. Although no assurance can be given that a market for the Rights will develop, trading in the Rights on the NYSE MKT will begin three Business Days (defined below) prior to the Record Date and may be conducted until the close of trading on the last NYSE MKT trading day prior to the completion of the Subscription Period. For purposes of this Prospectus, a Business Day means any day on which trading is conducted on the NYSE MKT.

The value of the Rights, if any, will be reflected by the market price. Rights may be sold by individual holders or may be submitted to the Subscription Agent for sale (please see The Offer Method of Transferring Rights). Any Rights submitted to the Subscription Agent for sale must be received by the Subscription Agent on or before August 1, 2012, five Business Days prior to the completion of the Subscription Period, due to normal settlement procedures. Selling shareholders are responsible for all brokerage commissions incurred by the Subscription Agent as well as other fees and expenses associated with a transfer of Rights.

Rights that are sold will not confer any right to acquire any Shares in the primary or secondary over-subscription, and any Record Date Shareholder who sells any Rights will not be eligible to participate in the primary or secondary over-subscription.

Trading of the Rights on the NYSE MKT will be conducted on a when-issued basis until and including the date on which the Subscription Certificates are mailed to Record Date Shareholders, and thereafter will be conducted on a regular way basis until and including the last NYSE MKT trading day prior to the completion of the Subscription Period. Common shares issued pursuant to the Offer will begin trading ex-Rights two Business Days prior to the Record Date.

If the Subscription Agent receives Rights for sale in a timely manner, it will use its best efforts to sell the Rights on the NYSE MKT. The Subscription Agent will also attempt to sell any Rights (i) a Rights holder is unable to exercise because the Rights represent the right to subscribe for less than one new

	common share or (ii) attributable to shareholders whose record addresses are outside the United States or who have an Army Post Office (APO) or Fleet Post Office (FPO) address. See Restrictions on Foreign Shareholders and The Offer Foreign Restrictions .
	Any commissions will be paid by the selling Rights holders. Neither the Fund nor the Subscription Agent will be responsible if Rights cannot be sold and neither has guaranteed any minimum sales price for the Rights. If the Rights can be sold, sales of these Rights will be deemed to have been effected at the weighted average price received by the Subscription Agent on the day such Rights are sold, less any applicable brokerage commissions, taxes and other expenses.
	Shareholders are urged to obtain a recent trading price for the Rights on the NYSE MKT from their broker, bank, financial advisor or the financial press.
	Banks, broker-dealers and trust companies that hold common shares for the accounts of others are advised to notify those persons who purchase Rights in the secondary market that such Rights will not participate in the over-subscription privilege.
Offering expenses	Offering expenses incurred by the Fund in connection with the Offer are estimated to be $500,000.
Restrictions on foreign shareholders	Subscription Certificates will only be mailed to Record Date Shareholders whose addresses are within the United States (other than an APO or FPO address). Record Date Shareholders whose addresses are outside the United States or who have an APO or FPO address and who wish to subscribe to the Offer either in part or in full should contact the Subscription Agent in writing or by recorded telephone conversation no later than five Business Days prior to the Expiration Date. The Fund will determine whether the Offer may be made to any such Record Date Shareholder. The Offer will not be made in any jurisdiction where it would be unlawful to do so. If the Subscription Agent has received no instruction by the fifth Business Day prior to the Expiration Date or the Fund has determined that the Offer may not be made to a particular Record Date Shareholder, the Subscription Agent will attempt to sell all of such shareholder s Rights and remit the net proceeds, if any, to such shareholder. If the Rights can be sold, sales of these Rights will be deemed to have been effected at the weighted average price received by the Subscription Agent on the day the Rights are sold, less any applicable brokerage commissions, taxes and other expenses.

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Use of proceeds

The Fund estimates the net proceeds of the Offer to be approximately $207,389,821. This figure is based on an estimated Subscription Price per common share of $27.00 and assumes all new common shares offered are sold and that the expenses related to the Offer estimated at approximately $500,000 are paid.

W.H. Reaves & Co., Inc. (the Investment Adviser or Reaves), the Fund s investment adviser, anticipates that 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 be substantially completed in approximately three months; however, the identification of appropriate investment opportunities pursuant to the Investment Adviser s investment style or changes in market conditions may cause the investment period to extend as long as six months. Pending such investment, the proceeds will be held in high quality short-term debt securities and instruments.

Important dates to remember

Please note that the dates in the table below may change if the Offer is extended.

Event	Date
Record Date	July 9, 2012
Subscription Period	July 9 to August 8, 2012*
Expiration Date*	August 8, 2012*
Payment for Guarantees of Delivery Due	August 13, 2012*
Confirmation to Participants	August 22, 2012*

** Unless the Offer is extended.*

Investment objective and policies

The Fund s investment objective is to provide a high level of after-tax income and total return consisting primarily of tax-advantaged dividend income and capital appreciation. The Fund pursues this objective by investing at least 80% of its total assets in the securities of domestic and foreign companies involved to a significant extent in providing products, services or equipment for (i) the generation or distribution of electricity, gas or water, (ii) telecommunications activities or (iii) infrastructure operations, such as airports, toll roads and municipal services (Utilities or the Utility Industry).

A company will be deemed to be involved in the Utility Industry to a significant extent if at least 50% of its assets, gross income or profits are committed to or derived from activities in the areas described above. The remaining 20% of the Fund s total assets may be invested in other securities including stocks, debt obligations and money market instruments, as well as certain derivative instruments (described below) and other investments.

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As used in the prospectus and the Statement of Additional Information, the terms debt securities and debt obligations refer to bonds, debentures and similar long and intermediate term debt investments and do not include short-term fixed income securities such as money market instruments in which the Fund may invest temporarily pending investment of the proceeds of the Offer and during periods of abnormal market conditions. The Fund may invest in preferred stocks and bonds of below investment grade quality (i.e., junk bonds).

Under normal market conditions, the Fund invests at least 80% of its total assets in dividend-paying common and preferred stocks of companies in the Utility Industry. In pursuing its objective, the Fund invests primarily in common and preferred stocks that pay dividends that, under current law that is scheduled to expire after 2012, qualify for federal income taxation at rates applicable to long-term capital gains (tax-advantaged dividends).

The Fund may invest in the securities of both domestic and foreign issuers, including those located in emerging market countries (i.e., a country not included in the MSCI World Index, a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets).

As an alternative to holding foreign-traded securities, the Fund may invest in dollar-denominated securities of foreign companies that trade on U.S. exchanges or in the U.S. over-the-counter market (including depositary receipts, which evidence ownership in underlying foreign securities).

To date, the Fund s derivatives usage has been limited to equity options, including writing covered calls, the purchase of calls and the sale of puts. Options may be used as both hedges against the value of existing holdings or as speculative trades as part of the Fund s overall investment strategy.

In addition, the Fund may choose to use interest rate swaps (or options thereon) from time to time for hedging purposes. Although the Fund does not currently use interest rate swaps (or options thereon), the Fund may do so in the future, depending on the Investment Adviser s interest rate outlook and other factors. Such usage would be limited to no more than 20% of the Fund s total assets. The Fund may choose to use other derivatives from time to time, as described in the Statement of Additional Information.

There is no assurance that the Fund will achieve its investment objective. Further, the Fund s ability to pursue its investment objective, the value of the Fund s investments and the Fund s net asset value may be adversely affected by changes in tax rates and policies. Because the Fund s investment objective is to provide a high level of after-tax yield and total return consisting primarily of dividend and interest income and capital appreciation, the Fund s ability to invest, and the attractiveness of investing in, equity securities that pay qualified dividend income in relation to other investment alternatives will be affected by changes in federal income tax laws and regulations, including changes in the qualified dividend income provisions. Absent further legislation, higher tax rates will apply to qualified dividend income in taxable years beginning after December 31, 2012. Any proposed or actual changes in such rates, therefore, can significantly and adversely affect the after-tax returns of the Fund s investments in equity securities. Any such changes also could significantly and adversely affect the Fund s net asset value, as well as the Fund s ability to acquire and dispose of equity securities at desirable returns and price levels and the Fund s ability to pursue its investment objective. The Fund cannot assure you as to the portion, if any, of the Fund s dividends that will be qualified dividend income.

Investment Adviser

Reaves is registered with the Securities and Exchange Commission (SEC) as an investment adviser under the Investment Advisers Act of 1940, as amended. As of March 30, 2012, Reaves had approximately $2.36 billion of assets under management.

Reaves is entitled to receive a monthly fee at the annual rate of 0.575% of the Fund s average daily total assets.

Administrator

ALPS Fund Services, Inc. (ALPS), located at 1290 Broadway, Suite 1100, Denver, Colorado 80203, serves as administrator to the Fund. Under an administration agreement between ALPS and the Fund, ALPS is responsible for calculating the net asset value of the common shares, and generally managing the business affairs of the Fund. The administration agreement provides that ALPS will pay all expenses incurred by the Fund, with the exception of advisory fees, trustees fees, chief compliance officer fees, portfolio transactions expenses, litigation expenses, taxes, costs of preferred shares, costs of borrowings, expenses of conducting repurchase offers for the purpose of repurchasing Fund shares and extraordinary expenses. ALPS is entitled to receive a monthly fee at the annual rate of 0.265% of the Fund s average daily total assets.

Use of leverage

The Fund currently uses leverage through borrowing. More specifically, the Fund has entered into a committed loan facility (the Credit Facility) with a commercial bank (Bank). As of May 31, 2012, the Fund had outstanding $240,000,000 in principal amount of borrowings from the Credit Facility representing approximately 30% of the Fund s total assets (including assets attributable to the Fund s use of leverage). The Bank has the ability to terminate the Credit Facility upon 180-days notice or following an event of default.

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The Fund has no present intention of issuing preferred shares, although it may choose to do so in the future.

The Fund also may borrow money as a temporary measure for extraordinary or emergency purposes.

Leverage creates risks for common shareholders, including the likelihood of greater volatility of net asset value and market price of, and dividends paid on, the common shares. There is a risk that fluctuations in the dividend rates on any preferred shares issued by the Fund may adversely affect the return to the common shareholders. If the income from the securities purchased with such funds is not sufficient to cover the cost of leverage, the return on the Fund will be less than if leverage had not been used, and therefore the amount available for distribution to common shareholders as dividends and other distributions will be reduced.

Changes in the value of the Fund s portfolio (including investments bought with the proceeds of the leverage program) will be borne entirely by the common shareholders. If there is a net decrease (or increase) in the value of the Fund s investment portfolio, the leverage will decrease (or increase) the net asset value per share to a greater extent than if the Fund were not leveraged.

The issuance of a class of preferred shares or incurrence of borrowings having priority over the common shares creates an opportunity for greater return per common share, but at the same time such leveraging is a speculative technique in that it will increase the Fund s exposure to capital risk. Unless the income and appreciation, if any, on assets acquired with leverage proceeds exceed the associated costs of the leverage program (and other Fund expenses), the use of leverage will diminish the investment performance of the common shares compared with what it would have been without leverage.

The fees received by Reaves and ALPS are based on the total assets of the Fund, including assets represented by leverage. During periods in which the Fund is using leverage, the fees paid to Reaves for investment advisory services and to ALPS for administrative services will be higher than if the Fund did not use leverage because the fees paid will be calculated on the basis of the Fund s total assets, including proceeds from borrowings and the issuance of any preferred shares. The Board reviews the Fund s leverage on a periodic basis, and the Fund s use of leverage may be increased or decreased subject to the Board s oversight and applicable law.

Under the Investment Company Act of 1940, as amended, and the rules and regulations thereunder (the 1940 Act), the Fund is not permitted to issue preferred shares unless immediately

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after such issuance the total asset value of the Fund s portfolio is at least 200% of the liquidation value of the outstanding preferred shares (i.e., such liquidation value may not exceed 50% of the Fund s total assets). In addition, the Fund is not permitted to declare any cash dividend or other distribution on its common shares unless, at the time of such declaration, the net asset value of the Fund s portfolio (determined after deducting the amount of such dividend or other distribution) is at least 200% of such liquidation value.

To qualify for federal income taxation as a regulated investment company, the Fund must satisfy certain requirements relating to sources of its income and diversification of its assets, and must distribute in each taxable year at least 90% of its net investment income (including net interest income and net short-term gain). The Fund also will be required to distribute annually substantially all of its income and capital gain, if any, to avoid imposition of a nondeductible 4% federal excise tax.

The Fund s willingness to issue new securities for investment purposes, and the amount the Fund will issue, depends on many factors, the most important of which are market conditions and interest rates.

There is no assurance that a leveraging strategy will be successful during any period in which it is employed.

The Fund may increase the amount of leverage following the completion of the Offer, subject to applicable law.

Risk Factors

This is a summary of only certain of the risks associated with the Offer and with an investment in the Fund. See Risk Factors below.

Risk is inherent in all investing. Investing in any investment company security involves risk, including the risk that you may receive little or no return on your investment or even that you may lose part or all of your investment. Therefore, before investing you should consider carefully the following risks that you assume when you invest in the Fund s common shares:

Dilution. Shareholders who do not exercise their Rights will, at the completion of the Offer, own a smaller proportional interest in the Fund than if they exercised their Rights, which will proportionately decrease the relative voting power of those shareholders. Because the Subscription Price per common share will be below the net asset value per common share on the Expiration Date, you will experience an immediate dilution of the aggregate net asset value of your common shares if you do not participate in the Offer and you will experience a reduction in the net asset value per common share of your

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common shares whether or not you participate in the Offer. The Fund cannot state precisely the extent of this dilution if you do not exercise your Rights because the Fund does not know what the net asset value per common share will be when the Offer expires, or what proportion of the Rights will be exercised.

Assuming, for example, that all Rights are exercised, the Subscription Price is $27.00 and the Fund s net asset value per common share at the expiration of the Offer is $28.42, the Fund s net asset value per common share (after payment of estimated offering expenses) would be reduced by approximately $0.37 (1.31%) per common share. See Risk Factors Dilution.

If you do not wish to exercise your Rights, you should consider selling them as set forth in this Prospectus. The Fund cannot give any assurance, however, that a market for the Rights will develop or that the Rights will have any marketable value.

The offer may increase the volatility of the market price of the Fund s common shares. In addition, the Offer could be under-subscribed, in which case Reaves will not have as much proceeds to invest on behalf of the Fund (see Use of proceeds).

Investment and Market Risk. An investment in common shares is subject to investment risk, including the possible loss of the entire principal amount invested. An investment in common shares represents an indirect investment in the securities owned by the Fund, which are generally traded on a securities exchange or in the over-the-counter markets. The value of these securities, like other market investments, may move up or down, sometimes rapidly and unpredictably. The common shares at any point in time may be worth less than the original investment, even after taking into account any reinvestment of dividends and distributions.

Non-diversified Status. As a non-diversified investment company under the 1940 Act, the Fund may invest a greater portion of its assets in a more limited number of issuers than a diversified fund. An investment in the Fund may, under certain circumstances, present greater risk to an investor than an investment in a diversified company because changes in the financial condition or market assessment of a single issuer may cause greater fluctuations in the value of the Fund s common shares. The Fund intends to comply with the diversification requirements of the Internal Revenue Code of 1986, as amended (the Code), applicable to regulated investment companies. See Risk Factors Non-Diversified Status. See also Taxes in the Statement of Additional Information.

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Issuer Risk. The value of common and preferred stocks may decline for a number of reasons which directly relate to the issuer, such as management performance, financial leverage and reduced demand for the issuer s goods and services.

Income Risk. The income that common shareholders receive from the Fund is based primarily on the dividends and interest it earns from its investments, which can vary widely over the short and long-term. If prevailing market interest rates drop, distribution rates of the Fund s holdings and common shareholder s income from the Fund could drop as well. The Fund s income also would likely be affected adversely if prevailing short-term interest rates increase and the Fund is utilizing leverage.

Tax Risk. The Fund s investment program and the tax treatment of Fund distributions may be affected by Internal Revenue Service (IRS) interpretations of the Code, future changes in tax laws and regulations, including changes as a result of the sunset provisions that currently apply to the favorable tax treatment of tax-advantaged dividends. There can be no assurance that any portion of the Fund s income distributions will not be fully taxable as ordinary income. The Fund s ability to pursue its investment objective, the value of the Fund s investments and the Fund s net asset value may be adversely affected by changes in tax rates and policies. Because the Fund s investment objective is to provide a high level of after-tax yield and total return consisting primarily of dividend and interest income and capital appreciation, the Fund s ability to invest, and the attractiveness of investing in, equity securities that pay qualified dividend income in relation to other investment alternatives will be affected by changes in federal income tax laws and regulations, including changes in the qualified dividend income provisions. Absent further legislation, higher tax rates will apply to qualified dividend income in taxable years beginning after December 31, 2012. Any proposed or actual changes in such rates, therefore, can significantly and adversely affect the after-tax returns of the Fund s investments in equity securities. Any such changes also could significantly and adversely affect the Fund s net asset value, as well as the Fund s ability to acquire and dispose of equity securities at desirable returns and price levels and the Fund s ability to pursue its investment objective. The Fund cannot assure you as to the portion, if any, of the Fund s dividends that will be qualified dividend income. Further, in order to avoid corporate income tax at the level of the Fund, it must qualify each year as a regulated investment company under the Code.

Sector/Industry Risk. The Utility Industry generally includes companies involved in providing products, services or equipment for (i) the generation or distribution of electricity, gas

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or water, (ii) telecommunications activities or (iii) infrastructure operations, such as airports, toll roads and municipal services. The Fund invests a significant portion of its total assets in securities of utility companies, which may include companies in the electric, gas, water, telecommunications sectors, as well as other companies engaged in other infrastructure operations. This may make the Fund more susceptible to adverse economic, political or regulatory occurrences affecting those sectors. As concentration of the Fund s investments in a sector increases, so does the potential for fluctuation in the net asset value of common shares.

Risks that are intrinsic to utility companies include difficulty in obtaining an adequate return on invested capital, difficulty in financing large construction programs during an inflationary period, restrictions on operations and increased cost and delays attributable to environmental considerations and regulation, difficulty in raising capital in adequate amounts on reasonable terms in periods of high inflation and unsettled capital markets, technological innovations that may render existing plants, equipment or products obsolete, the potential impact of natural or man-made disasters, increased costs and reduced availability of certain types of fuel, occasional reduced availability and high costs of natural gas and other fuels, the effects of energy conservation, the effects of a national energy policy and lengthy delays and greatly increased costs and other problems associated with the design, construction, licensing, regulation and operation of nuclear facilities for electric generation, including, among other considerations, the problems associated with the use of radioactive materials, the disposal of radioactive wastes, shutdown of facilities or release of radiation resulting from catastrophic events, disallowance of costs by regulators which may reduce profitability, and changes in market structure that increase competition.

Concentration Risk. The Fund s investments will be concentrated in the Utility Industry. The focus of the Fund s portfolio on this sector may present more risks than if the Fund s portfolio were broadly spread over numerous sectors of the economy. A downturn in this sector (or any sub-sectors within it) would have a larger impact on the Fund than on an investment company that does not concentrate solely in this specific sector (or in specific sub-sectors). At times, the performance of companies in the Utility Industry (or a specific sub-sector) may lag the performance of other sectors or the broader market as a whole.

Common Stock Risk. The Fund will have substantial exposure to common stocks. Although common stocks have historically generated higher average returns than fixed-income securities over the long-term, common stocks also have experienced significantly more volatility in returns. An adverse event, such as an unfavorable earnings report, may depress the value of a particular common stock held by the Fund. Also, the price of common stocks are sensitive to general movements in the stock market and a drop in the stock market may depress the price of common stocks to which the Fund has exposure. Common stock prices fluctuate for many reasons, including changes in investors perceptions of the financial condition of an issuer or the general condition of the relevant stock market, or when political or economic events affecting the issuer occur. In addition, common stock prices may be sensitive to rising interest rates, as the costs of capital rise and borrowing costs increase.

Foreign Securities Risk. Investments in securities of non-U.S. issuers, it will be subject to risks not usually associated with owning securities of U.S. issuers. These risks can include fluctuations in foreign currencies, foreign currency exchange controls, social, political and economic instability, differences in securities regulation and trading, expropriation or nationalization of assets, and foreign taxation issues. In addition, changes in government administrations or economic or monetary policies in the United States or abroad could result in appreciation or depreciation of the Fund s securities. It may also be more difficult to obtain and enforce a judgment against a non-U.S. issuer. Foreign investments made by the Fund must be made in compliance with U.S. and foreign currency restrictions and tax laws restricting the amounts and types of foreign investments. The risks of foreign investing may be magnified for investments in issuers located in emerging market countries.

Foreign Currency Risk. Investments in securities that trade in and receive revenues in foreign currencies are subject to the risk that those currencies will decline in value relative to the U.S. dollar. Currency rates in foreign countries may fluctuate significantly over short periods of time. A decline in the value of foreign currencies relative to the U.S. dollar will reduce the value of securities held by the Fund and denominated in those currencies. Some foreign governments levy withholding taxes against dividend and interest income. Although in some countries portions of these taxes are recoverable, any amounts not recovered will reduce the income received by the Fund, and may reduce distributions to common shareholders. These risks are generally heightened in emerging market countries.

Small and Mid-Cap Stock Risk. The Fund may invest in companies of any market capitalization. The Fund considers small companies to be those with a market capitalization up to $2 billion and medium-sized companies to be those with a market capitalization between $2 billion and $10 billion. The Fund s investments in small and medium-sized companies may be subject to more abrupt or erratic movements in price than its investments in larger, more established companies because the securities of such companies are less well-known, held primarily by insiders or institutional investors or may trade less frequently and in lower volume.

Non-Investment Grade Securities Risk. Investments in securities of below investment grade quality, if any, are predominantly speculative because of the credit risk of their issuers. While offering a greater potential opportunity for capital appreciation and higher yields, preferred stocks and bonds of below investment grade quality entail greater potential price volatility and may be less liquid than higher-rated securities. Issuers of below investment grade quality preferred stocks and bonds are more likely to default on their payments of dividends/interest and liquidation value/principal owed to the Fund, and such defaults will reduce the Fund s net asset value and income distributions.

Interest Rate Risk. Interest rate risk is the risk that preferred stocks paying fixed dividend rates and fixed-rate debt securities will decline in value because of changes in market interest rates. When interest rates rise the market value of such securities generally will fall. An investment by the Fund in preferred stocks or fixed-rate debt securities means that the net asset value and price of the common shares may decline if market interest rates rise. Interest rates are currently low relative to historic levels. During periods of declining interest rates, an issuer of preferred stock or fixed-rate debt securities may exercise its option to redeem securities prior to maturity, forcing the Fund to reinvest in lower yielding securities. During periods of rising interest rates, the average life of certain types of securities may be extended because of slower than expected payments. This may lock in a below market yield, increase the security s duration, and reduce the value of the security. The value of the Fund s common stock investments may also be influenced by changes in interest rates.

Credit Risk. Credit risk is the risk that an issuer of a preferred or debt security will become unable to meet its obligation to make dividend, interest and principal payments. In general, lower rated preferred or debt securities carry a greater degree of credit risk. If rating agencies lower their ratings of preferred or debt securities in the Fund s portfolio, the value of those obligations could decline. In addition, the underlying revenue source for a preferred or debt security may be insufficient to pay dividends, interest or principal in a timely manner.

Derivatives Risk. Although it may use other derivative instruments from time to time as described in the Statement of Additional Information, the Fund s derivatives usage to date has generally been limited to equity options, including writing covered calls, the purchase of calls and the sale of puts. The

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Fund may also, from time to time, choose to use interest rate swaps (or options thereon). Derivatives transactions of the types described above subject the Fund to increased risk of principal loss due to imperfect correlation or unexpected price or interest rate movements. The Fund also will be subject to credit risk with respect to the counterparties to the derivatives 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 a bankruptcy or other reorganization proceeding. The Fund may obtain only a limited recovery or may obtain no recovery in such circumstances. As a general matter, dividends received on hedged stock positions are characterized as ordinary income and are not eligible for favorable tax treatment. In addition, use of derivatives may give rise to short-term capital gains and other income that would not qualify for payments by the Fund of tax-advantaged dividends.

Preferred Stock Risks. The Fund may have exposure to preferred stocks. In addition to credit risk, investments in preferred stocks involve certain other risks. Certain preferred stocks contain provisions that allow an issuer under certain conditions to skip distributions (in the case of non-cumulative preferred stocks) or defer distributions (in the case of cumulative preferred stocks). If the Fund owns a preferred stock that is deferring its distributions, the Fund may be required to report income for tax purposes while it is not receiving income on this position. Preferred stocks often contain provisions that allow for redemption in the event of certain tax or legal changes or at the issuers call. In the event of redemption, the Fund may not be able to reinvest the proceeds at comparable rates of return. Preferred stocks typically do not provide any voting rights, except in cases when dividends are in arrears beyond a certain time period, which varies by issue. Preferred stocks 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 those debt instruments. Preferred stocks may be significantly less liquid than many other securities, such as U.S. government securities, corporate debt or common stock.

Debt Securities Risk. In addition to credit risk, investments in debt securities carry certain risks including: redemption risk (debt securities sometimes contain provisions that allow for redemption in the event of tax or security law changes in addition to call features at the option of the issuer. In the event of a redemption, the Fund may not be able to reinvest the proceeds at comparable rates of return); limited voting rights (debt securities typically do not provide any voting rights, except in cases when interest payments have not been made and the issuer is in default; and liquidity (certain debt securities may be substantially less liquid than many other securities, such as U.S. government securities or common stocks).

Inflation Risk. Inflation risk is the risk that the purchasing power of assets or income from investment will be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of the common shares and distributions thereon can decline.

Illiquid Securities Risk. The Fund may invest in securities for which there is no readily available trading market or which are otherwise illiquid. The Fund may not be able readily to dispose of such securities at prices that approximate those at which the Fund could sell such securities if they were more widely traded and, as a result of such illiquidity, the Fund may have to sell other investments or engage in borrowing transactions if necessary to raise cash to meet its obligations. In addition, the limited liquidity could affect the market price of the securities, thereby adversely affecting the Fund s net asset value.

Market Price of Common Shares. The shares of closed-end management investment companies often trade at a discount from their net asset value, and the Fund s common shares may likewise trade at a discount from net asset value. The trading price of the Fund s common shares may be less than the public offering price. The returns earned by common shareholders who sell their common shares below net asset value will be reduced. The Fund s common shares, which are currently trading at a premium to net asset value, will be sold through the Offer at a price below net asset value. This could reduce or eliminate the premium, or cause the Fund s common shares to trade at a discount.

Management Risk. The Fund is subject to management risk because it has an actively managed portfolio. Reaves and the individual portfolio managers 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.

Market Disruption Risk. The terrorist attacks in the United States on September 11, 2001 had a disruptive effect on the securities markets. United States military and related action in Iraq and Afghanistan is ongoing and events in the Middle East could have significant adverse effects on the U.S. economy, financial and commodities markets. Assets of companies, including those held in the Fund s portfolio, could be direct targets, or indirect casualties, of an act of terrorism. The U.S. government has issued warnings that assets of utility companies and energy sector companies, specifically the United States pipeline infrastructure, may be the future target of terrorist organizations.

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Capital Market Risk. Global financial markets and economic conditions are volatile due to a variety of factors, including significant write-offs in the financial services sector and therefore companies may have difficulty raising capital. In particular, as a result of concerns about the general stability of financial markets and specifically the solvency of lending counterparties, the cost of raising capital from the credit markets generally has increased as many lenders and institutional investors have increased interest rates, enacted tighter lending standards, refused to refinance debt on existing terms or at all and reduced, or in some cases ceased to provide, funding to borrowers. In addition, lending counterparties under existing revolving credit facilities and other debt instruments may be unwilling or unable to meet their funding obligations. Due to these factors, companies may be unable to obtain new debt or equity financing on acceptable terms or at all. If funding is not available when needed, or is available only on unfavorable terms, companies may not be able to meet their obligations as they come due. Moreover, without adequate funding, companies may be unable to execute their growth strategies, complete future acquisitions, take advantage of other business opportunities or respond to competitive pressures, any of which could have a material adverse effect on their revenues and results of operations.

Portfolio Turnover Risk. The techniques and strategies contemplated by the Fund might result in a high degree of portfolio turnover. The Fund cannot accurately predict its securities portfolio turnover rate, but anticipates that its annual portfolio turnover rate will not exceed 100% under normal market conditions, although it could be materially higher under certain conditions. Higher portfolio turnover rates could result in corresponding increases in brokerage commissions and generate short-term capital gains taxable as ordinary income.

Anti-takeover provisions

The Fund s Agreement and Declaration of Trust, dated September 15, 2003 (the Declaration of Trust) includes provisions that could have the effect of inhibiting the Fund s possible conversion to open-end status and limiting the ability of other entities or persons to acquire control of the Board. In certain circumstances, these provisions might also inhibit the ability of shareholders to sell their common shares at a premium over prevailing market prices. See Description of Capital Structure Anti-Takeover Provisions in the Declaration of Trust.

Distributions

The Fund intends to make a level dividend distribution each month to common shareholders after payment of interest on any outstanding borrowings. The level dividend rate is determined, and may be modified by the Board of Trustees, from time to time. Any net capital gains earned by the Fund are distributed at least annually. Distributions to shareholders are

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recorded by the Fund on the ex-dividend date. In August 2009, the SEC issued an order approving exemptive relief for the Fund, from Section 19(b) and Rule 19b-1 under the Investment Company Act of 1940 (the Order). This would allow the Fund to employ a managed distribution plan (the Managed Distribution Plan) rather than a level distribution plan The Fund implemented the Managed Distribution Plan for the fiscal year ended October 31, 2011. The Board s most recent approval of the Plan was in September 2011. Common shareholders who elect not to participate in the Fund s dividend reinvestment plan will receive all distributions in cash paid by check mailed directly to the shareholder of record (or, if the common shares are held in street or other nominee name, then to such nominee). See Distributions.

Dividend reinvestment plan

Common shareholders may elect automatically to reinvest some or all of their distributions in additional common shares under the Fund s dividend reinvestment plan. Whenever the Fund declares a dividend or other distribution payable in cash, participants in the dividend reinvestment plan will receive the equivalent in common shares. See Dividend Reinvestment Plan.

Common share purchases and tenders

From time to time, the Fund s Board may consider repurchasing common shares in the open market or in private transactions, or tendering for shares, in an attempt to reduce or eliminate a market value discount from net asset value, if one should occur.

Custodian and Transfer Agent

The Bank of New York Mellon serves as the Fund s custodian. Computershare serves as the Fund s transfer agent, dividend paying agent and registrar. See Custodian, Transfer Agent, Dividend Paying Agent and Registrar.

SUMMARY OF FUND EXPENSES

The following table is intended to assist investors in understanding the fees and expenses (annualized) that an investor in common shares of the Fund would bear, directly or indirectly, as a result of the Offer being fully subscribed and the receipt of net proceeds from the Offer of approximately $207,389,821. If the Fund issues fewer common shares in the Offer and the net proceeds to the Fund are less, all other things being equal, the expenses shown would increase.

The table assumes the use of leverage in the form of amounts borrowed by the Fund under a committed loan facility in an amount equal to 33% of the Fund s total assets (including the amounts of any additional leverage obtained through the use of borrowed funds), also taking into account the additional assets to be raised in the Offer, as estimated above. The extent of the Fund s assets attributable to leverage following the Offer, and the Fund s associated expenses, are likely to vary (perhaps significantly) from these assumptions. Interest payments on borrowings are included in the total annual expenses of the Fund.

Shareholder Transaction Expenses (as a percentage of offering price)	
Sales Load	None
Offering Expenses Borne by Common Shareholders(1)	0.08%
Dividend Reinvestment Plan Fees(2)	None

Annual Expenses	**Percentage of Net Assets Attributable to Common Shares(3)**
Investment Advisory Fees(4)	0.81%
Interest Payments on Borrowed Funds(3)	0.59%
Other Expenses(5)	0.50%
Total Annual Fund Operating Expenses(1)	1.90%

(1) The fees and expenses of the Offer will be borne by the Fund and indirectly by all of its common shareholders, including those who do not exercise their Rights. The offering costs to be paid by the Fund are not included in the Annual Expenses table. Offering costs borne by common shareholders will result in a reduction of capital of the Fund.

(2) There will be no brokerage charges under the Fund s dividend reinvestment plan with respect to common shares issued by the Fund in connection with the Offer. However, you may pay brokerage charges if you sell your common shares held in a dividend reinvestment account. You also may pay a pro rata share of brokerage commissions incurred in connection with your market purchases pursuant to the Fund s dividend reinvestment plan. See Dividend Reinvestment Plan.

(3) Assumes the use of leverage in the form of borrowing under the Credit Facility representing 33% of the Fund s total assets (including any additional leverage obtained through the use of borrowed funds) at an annual interest rate cost to the Fund of 1.34%. See Use of Leverage Credit Facility.

(4) See Management of the Fund Investment Adviser.

(5) Other Expenses are estimated for the Fund s current fiscal year, ending on October 31, 2012.

Example

The purpose of the following table is to help a holder of common shares understand the fees and expenses that such holder would bear directly or indirectly. The following example illustrates the expenses that you would pay on a $1,000 investment in common shares of the Fund, including the estimated costs of the Offer to be borne by the common shareholders of $500,000, assuming (1) that the Fund s net assets following (and after giving effect to) the Offer do not increase or decrease,

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(2) that the Fund incurs total annual expenses of 1.90% of its net assets in years 1 through 10 (assuming borrowing equal to 33% of the Fund s total assets) and (3) a 5% annual return.

	1 Year	3 Years	5 Years	10 Years
	$ 19.30	$ 59.69	$ 102.60	$ 221.94

The example should not be considered a representation of future expenses or rate of return. Actual expenses may be higher or lower than those shown. The example assumes that the estimated Other Expenses set forth in the Annual Expenses table are accurate and that all dividends and distributions are reinvested at net asset value. Moreover, the Fund s actual rate of return may be greater or less than the hypothetical 5% annual return shown in the example.

FINANCIAL HIGHLIGHTS

Selected Per Share Data And Ratios

The selected financial data below sets forth per common share operating performance data, total investment return, ratios and supplemental data for each fiscal year since the Fund s inception. The financial information set forth below for the years ended October 31, 2005 through October 31, 2011 was audited by Deloitte & Touche LLP, the Fund s independent registered public accounting firm. This financial information should be read in conjunction with the financial statements of the Fund incorporated by reference into this prospectus and the SAI. The financial information set forth below for the period February 24, 2004 (inception) to October 31, 2004 was audited by another independent registered public accounting firm. See Financial Statements in the Statement of Additional Information.

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The table below provides information about income and capital changes for a share of common stock outstanding throughout the years indicated.

PER COMMON SHARE OPERATING PERFORMANCE:	For the Year Ended 10/31/11	For the Year Ended 10/31/10	For the Year Ended 10/31/09	For the Year Ended 10/31/08	For the Year Ended 10/31/07	For the Year Ended 10/31/06	For the Year Ended 10/31/05	For the Period 2/24/04 (inception) to 10/31/04
Net asset value per share, beginning of year	$ 21.75	$ 15.82	$ 16.14	$ 30.32	$ 26.04	$ 22.12	$ 19.29	$ 19.10
INCOME/LOSS FROM INVESTMENT OPERATIONS:								
Net investment income	1.40[1]	1.56[1]	1.44	1.35	1.33	0.99	1.05	0.85
Net realized and unrealized gain/(loss) on investments and foreign currency	2.02	5.98	(0.09)	(12.98)	4.88	4.94	3.29	0.24
Distributions to preferred shareholders:								
From net investment income	(0.02)[2]	(0.16)	(0.16)	(0.47)	(0.40)	(0.50)	(0.32)	(0.06)
From net realized gains	0.00		(0.03)		(0.17)			
Total income from investment operations	3.40	7.38	1.16	(12.10)	5.64	5.43	4.02	1.03
DISTRIBUTIONS TO COMMON SHAREHOLDERS:								
From net investment income	(1.45)	(1.45)	(1.31)	(1.37)	(1.31)	(1.51)	(1.19)	(0.68)
From net realized gains			(0.17)	(0.71)	(0.05)			
Total distributions to common shareholders	(1.45)		(1.48)	(2.08)	(1.36)	(1.51)	(1.19)	(0.68)
CAPITAL SHARE TRANSACTIONS:								
Common share offering costs charged to paid in capital								(0.04)
Preferred share offering costs and sales load charged to paid in capital								(0.12)
Total capital share transactions								(0.16)
Net asset value per common share, end of year	$ 23.70	$ 21.75	$ 15.82	$ 16.14	$ 30.32	$ 26.04	$ 22.12	$ 19.29
Market price per common share, end of year	$ 25.05	$ 22.19	$ 15.31	$ 13.98	$ 26.26	$ 22.45	$ 19.46	$ 18.00
Total Investment Return Net Asset Value[3]	15.99%	48.33%	9.92%	(41.56)%	23.00%	26.75%	21.63%	4.93%
Total Investment Return Market Price[3]	20.15%	56.37%	22.81%	(41.55)%	23.57%	24.21%	14.67%	(6.50)%
RATIOS AND SUPPLEMENTAL DATA								
Net assets attributable to common shares, end of year (000s)	$ 545,023	$ 497,917	$ 359,176	$ 366,081	$ 687,653	$ 590,600	$ 501.618	$ 437,480
Ratio of expenses to average net assets attributable to common shares[4]	1.93%	1.51%	1.77%	1.33%	1.30%	1.38%	1.41%	1.64%[8]
Ratio of expenses excluding interest expense to average net assets attributable to common shares[4]	1.27%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ratio of net investment income to average net assets attributable to common shares[4]	6.08%	8.33%	11.47%	5.94%	4.73%	6.42%	6.21%	6.96%[8]
Ratio of expenses to average managed assets[5]	N/A%	0.97%	1.01%	0.94%	0.94%	0.94%	0.95%	1.02%[8]
Portfolio turnover rate	34%	53%	86%	32%	34%	43%	55%	63%
PREFERRED SHARES								
Liquidation value, end of year, including dividends on preferred shares (000s)	$ [6]	$ 240,104	$ 240,095	$ 240,267	$ 240,219	$ 240,185	$ 240,171	$ 240,000[9]
Total shares outstanding (000s)	[6]	9.6	9.6	9.6	9.6	9.6	9.6	9.6
Asset coverage per share[7]	$ [6]	$ 76,877	$ 62,424	$ 63,161	$ 96,653	$ 86,539	$ 77,270	$ 70,571
Liquidation preference per share	$ [6]	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000
Average market value per share [10]	$ [6]	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000
BORROWINGS AT END OF PERIOD								
Aggregate amount outstanding (000s)	$ 185,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Asset coverage per $1,000 (000s)	$ 3,946	N/A	N/A	N/A	N/A	N/A	N/A	N/A

(1) *Calculated using average common shares outstanding.*
(2) *Less than $(0.005) per share.*
(3) *Total investment return is calculated assuming a purchase of a common share at the opening on the first day and a sale at closing on the last day of each period reported. Total investment return excludes any sales charges. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Fund s dividend reinvestment plan.*
(4) *Ratios do not reflect dividend payments to preferred shareholders.*
(5) *Average managed assets represent net assets applicable to common shares plus liquidation value of preferred shares.*
(6) *All series of preferred shares issued by the Fund were fully redeemed, at par value, in December 2010.*
(7) *Calculated by subtracting the Fund s total liabilities (excluding Preferred Shares) from the Fund s total assets and dividing by the number of preferred shares outstanding.*
(8) *Annualized.*
(9) *Amount does not include dividends on preferred shares.*
(10) *Based on weekly prices.*

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Information Regarding Senior Securities

The following table sets forth certain unaudited information regarding the Fund s senior securities as of the end of each of the Fund s prior fiscal years since the Fund s inception. The Fund s senior securities during this time period are comprised of outstanding indebtedness, which constitutes a senior security as defined in the 1940 Act, and then-outstanding auction market preferred shares.

Senior Securities Representing Indebtedness (Credit Facility)

Fiscal Year Ended	Principal Amount Outstanding(1)	Asset Coverage Per $1,000(2)
October 31, 2011	$185,000,000	$3,946
October 31, 2010		