

COHEN & STEERS SELECT UTILITY FUND INC  
Form 497  
August 26, 2009

**COHEN & STEERS REIT AND UTILITY INCOME FUND, INC.**

**COHEN & STEERS SELECT UTILITY FUND, INC.**

280 Park Avenue

New York, New York 10017

**Special Joint Meeting of Stockholders to be held October 22, 2009**

August 21, 2009

Dear Stockholder:

You are being asked to vote on a proposed transaction related to Cohen & Steers REIT and Utility Income Fund, Inc. ( RTU ) and Cohen & Steers Select Utility Fund, Inc. ( UTF and, together with RTU, the Funds and each a Fund ). Detailed information about the proposed transaction is contained in the enclosed materials.

The Boards of Directors of the Funds (the Boards ) have called a special joint meeting of stockholders (the Meeting ) for the Funds to be held on October 22, 2009, at InterContinental The Barclay New York, 111 East 48th Street, North Parlor Rooms I and II, New York, New York 10017 at 10:00 a.m., Eastern time in order to vote on matters described in the attached Combined Proxy Statement/Prospectus, including a proposal to merge RTU with and into UTF in accordance with the Maryland General Corporation Law (the Merger ).

As a result of the Merger, each full (and fractional) share of common stock of RTU would convert into an equivalent dollar amount (to the nearest \$0.001) of full (and fractional) shares of common stock of UTF, based on the net asset value of each Fund. The currently issued and outstanding shares of common stock of UTF will remain issued and outstanding.

Each Fund is a closed-end, non-diversified management investment company with common stock listed on the New York Stock Exchange. The Funds have similar overall investment objectives and are managed by Cohen & Steers Capital Management, Inc.

The Boards believe that combining the Funds could benefit stockholders of each Fund by providing the potential for portfolio management efficiencies, a lower operating expense ratio and enhanced market liquidity for UTF s shares of common stock. The stockholders of each Fund will vote separately on the Merger. **The Boards recommend that you vote FOR the proposed Merger.**

Stockholders of UTF also are being asked to approve an amendment to UTF s charter to increase the number of shares of UTF s authorized common stock. **The Board of UTF recommends that the stockholders of UTF vote FOR this amendment to UTF s charter.**

In addition, stockholders of UTF are separately being asked to approve changing UTF s investment objective to facilitate a broader investment focus on infrastructure securities. *Stockholders of RTU do not vote on the change in UTF s investment objective, but if the Merger is approved and stockholders of UTF approve the proposed change to UTF s investment objective RTU would merge into UTF as a fund that focuses its investments in infrastructure securities, rather than a fund that focuses its investments in utility securities. The Board of UTF recommends that the stockholders of UTF vote FOR changing the investment objective of UTF.*

Your vote is very important to us regardless of the number of shares you own. Whether or not you plan to attend the Meeting in person, please read the Combined Proxy Statement/Prospectus and cast your vote promptly. To vote, simply date, sign and return the proxy card in the enclosed postage-paid envelope or follow the instructions on the proxy card for voting by touch-tone telephone or on the Internet.

It is important that your vote be received no later than the time of the Meeting.

Sincerely,

Adam M. Derechin

President of the Funds

**COHEN & STEERS REIT AND UTILITY INCOME FUND, INC.**

**COHEN & STEERS SELECT UTILITY FUND, INC.**

**IMPORTANT NEWS FOR STOCKHOLDERS**

The enclosed Combined Proxy Statement/Prospectus (the "Proxy/Prospectus") describes a proposal to merge Cohen & Steers REIT and Utility Income Fund, Inc. ("RTU") with and into Cohen & Steers Select Utility Fund, Inc. ("UTF") and, together with RTU, the "Funds" and each a "Fund"), in accordance with the Maryland General Corporation Law (the "Merger"), plus a related proposal relating to an amendment to UTF's charter to increase the number of shares of UTF's authorized common stock. In addition, UTF's stockholders are separately being asked to vote on changing UTF's investment objective to facilitate a broader investment focus on infrastructure securities.

While we encourage you to read the full text of the enclosed Proxy/Prospectus, the following is a brief overview of the proposed Merger. Please refer to the more complete information contained elsewhere in the Proxy/Prospectus about the Merger.

**COMMON QUESTIONS YOU MAY HAVE ABOUT THE PROPOSED MERGER**

**Q. WHAT IS HAPPENING?**

- A. The Board of Directors of each Fund (the "Board" and together, the "Boards") has approved a Merger, subject to approval by the Fund's stockholders, in which RTU would merge with and into UTF in accordance with the Maryland General Corporation Law. The stockholders of each Fund will vote separately on the Merger. If both Funds' stockholders approve the Merger, stockholders of RTU would become stockholders of UTF.

**Q. WHAT OTHER MATTERS ARE BEING VOTED ON?**

- A. In a separate vote, stockholders of UTF are being asked to vote on an amendment to UTF's charter to increase the number of shares of UTF's authorized common stock. This proposed charter amendment would ensure that UTF will have a sufficient number of authorized shares to issue to stockholders of the combined Fund after the Merger in connection with UTF's dividend reinvestment plan. In addition, stockholders of UTF are being asked to vote on changing UTF's investment objective.

**Q. HOW WILL THE MERGER AFFECT ME?**

- A. In the Merger, if approved, RTU will be merged with and into UTF in accordance with the Maryland General Corporation Law. RTU's assets and liabilities will be combined with the assets and liabilities of UTF, and stockholders of RTU will become stockholders of UTF. As a result of the Merger, each full (and fractional) share of common stock of RTU would convert into an equivalent dollar amount (to the nearest \$0.001) of full (and fractional) shares of common stock of UTF, based on the net asset value of each Fund. The currently issued and outstanding shares of common stock of UTF will remain issued and outstanding.

Q. ARE THE FUNDS' INVESTMENT OBJECTIVES AND POLICIES SIMILAR?

- A. The Funds have similar overall investment objectives and are managed by Cohen & Steers Capital Management, Inc. (the Investment Manager). *If stockholders of UTF approve Proposal 3 to change UTF's investment objective to facilitate a broader investment focus on infrastructure securities, and if the Merger is approved, RTU would merge into UTF as a fund that focuses its investment in infrastructure securities, rather than a fund that focuses its investments in utility securities.* Stockholders of RTU do not vote on changing UTF's investment objective.

Q. WHAT HAPPENS IF THE MERGER IS NOT APPROVED?

- A. As noted above, the Merger will not be consummated unless the Merger is approved by the stockholders of both RTU and UTF. If the Merger is not approved, RTU will continue as a separate investment company, and the Board of RTU will consider such alternatives as it determines to be in the best interests of stockholders, including re-proposing the Merger.

Q. WHY IS THE MERGER BEING RECOMMENDED?

- A. The Boards believe that combining the Funds could benefit stockholders of each Fund by providing the potential for portfolio management efficiencies, a lower operating expense ratio and enhanced market liquidity for UTF's shares of common stock.

Q. HOW WILL THE MERGER AFFECT FUND FEES AND EXPENSES?

- A. The total annual operating expense ratio of the combined Fund after the Merger is expected to be lower than the current total annual operating expense ratio of each Fund, because the fixed expenses of the combined Fund following the Merger will be spread over a larger asset base. The Board of each Fund believes that administrative expenses of a larger combined Fund comprised of the assets of RTU combined with UTF's assets would be less than the aggregate current expenses of the Funds operating separately, resulting in a lower total annual operating expense ratio for the combined Fund.

Under each Fund's investment management agreement, each Fund pays the Investment Manager a management fee at an annual rate of 0.85% of the Fund's average daily managed assets. Following the Merger, UTF's management fee will stay the same.

Q. WILL I HAVE TO PAY ANY U.S. FEDERAL INCOME TAXES AS A RESULT OF THE MERGER?

- A. The Merger is intended to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended. Assuming that the Merger qualifies for such treatment, you will not recognize a gain or loss for federal income tax purposes as a result of the Merger. As a condition to the closing of the Merger, the Funds will each receive an opinion of counsel substantially to the effect that the Merger will qualify for such treatment. Opinions of counsel are not binding on the Internal Revenue Service or the courts. You should talk to your tax advisor about any state, local and other tax consequences of the Merger. See Proposal 1 Information About the Proposed Merger Material U.S. Federal Income Tax Consequences.

Q. WHO WILL PAY THE EXPENSES OF THE MERGER?

- A. The expenses incurred in the Merger will be paid by each Fund in proportion to its net assets.

Q. HOW DOES THE BOARD RECOMMEND THAT I VOTE ON THE PROPOSALS?

- A. The Board of each Fund, including the Directors who are not interested persons (as defined in the Investment Company Act of 1940, as amended) of the Funds, recommends that you vote **FOR** the Merger.

In addition, the Board of UTF recommends that stockholders of UTF vote **FOR** the amendment to UTF's charter to increase the number of shares of UTF's authorized common stock. If UTF's stockholders do not approve this proposal, the Merger will proceed if stockholders of the Funds approve the Merger, but UTF may not have a sufficient amount of authorized stock to continue to issue to stockholders of the combined Fund in connection with UTF's dividend reinvestment plan subsequent to the Merger or in connection with any other corporate action.

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The Board of UTF also recommends that stockholders of UTF vote **FOR** the change to the Fund's investment objective. This change will facilitate a broader investment focus on infrastructure securities.

Q. WHEN IS THE MERGER EXPECTED TO HAPPEN?

A. The Merger, if approved by the Funds' stockholders, is expected to occur on or about December 18, 2009, but in any event no later than December 31, 2009.

**Q. WHO CAN VOTE ON THE PROPOSALS?**

- A. If you owned shares of one or both of the Funds at the close of business on July 30, 2009, you are entitled to vote those shares, even if you are no longer a common stockholder of your Fund. The Fund of which you are a stockholder is named on the proxy card included with the Proxy/Prospectus. If you owned shares in both Funds as of July 30, 2009, you may receive more than one proxy card. You may only vote on the proposals involving your Fund(s).

**Q. I AM AN INVESTOR WHO HOLDS A SMALL NUMBER OF SHARES. WHY SHOULD I VOTE?**

- A. Your vote makes a difference. If many stockholders just like you do not vote their proxies, the Funds may not receive enough votes to go forward with the Meeting.

**Q. HOW CAN I VOTE?**

- A. In addition to voting by mail by returning the enclosed proxy card(s), you may also authorize your vote by either touch-tone telephone or online via the Internet, as follows:

**To vote by touch-tone telephone:**

- (1) Read the Proxy/Prospectus and have your proxy card at hand.
- (2) Call the toll-free number that appears on your proxy card.
- (3) Enter the control number set out on the proxy card and follow the simple instructions.

**To vote by Internet:**

- (1) Read the Proxy/Prospectus and have your proxy card at hand.
- (2) Go to the website that appears on your proxy card.
- (3) Enter the control number set out on the proxy card and follow the simple instructions.

**Q. WHOM DO I CALL IF I HAVE QUESTIONS?**

- A. If you need more information or have any questions on how to cast your vote, please call Broadridge Financial Solutions, Inc., the Funds proxy solicitor, at 866-615-7265.

**YOUR VOTE IS IMPORTANT. PLEASE VOTE PROMPTLY TO AVOID THE EXPENSE OF**

**ADDITIONAL SOLICITATION.**

**COHEN & STEERS REIT AND UTILITY INCOME FUND, INC.**

**COHEN & STEERS SELECT UTILITY FUND, INC.**

**NOTICE OF SPECIAL JOINT MEETING OF STOCKHOLDERS**

**To Be Held on October 22, 2009**

Please take notice that a Special Joint Meeting of Stockholders (the Meeting) of each of the above-referenced funds, will be held on October 22, 2009 at InterContinental The Barclay New York, 111 East 48th Street, North Parlor Rooms I and II, New York, New York 10017 at 10:00 a.m., Eastern time, for the following purposes, all of which are described in the accompanying combined Proxy Statement/Prospectus:

- PROPOSAL 1: To approve the merger of Cohen & Steers REIT and Utility Income Fund, Inc. ( RTU ) with and into Cohen & Steers Select Utility Fund, Inc. ( UTF and, together with RTU, the Funds and each a Fund ) in accordance with the Maryland General Corporation Law (*stockholders of each Fund voting with respect to their Fund*);
- PROPOSAL 2: To approve an amendment to UTF s charter to increase the number of authorized shares of UTF s capital stock (*UTF stockholders voting*); and
- PROPOSAL 3: To approve changing UTF s investment objective (*UTF stockholders voting*).  
The appointed proxies will vote in their discretion on any other business as may properly come before the Meeting or any adjournments or postponements thereof.

Stockholders of the Funds of record at the close of business on July 30, 2009 are entitled to vote at the Meeting and at any adjournments or postponements thereof.

By order of the Boards of Directors,

Francis C. Poli  
Secretary of the Funds

August 21, 2009

**YOUR VOTE IS IMPORTANT**

**We invite you to utilize the convenience of Internet voting at the site indicated on the enclosed proxy card(s). While at that site you will be able to enroll in our electronic delivery program so you receive future mailings relating to annual meetings as quickly as possible and will help the Fund(s) save costs. Or you may indicate your voting instructions on the enclosed proxy card, sign and date it, and return it in the envelope provided, which needs no postage if mailed in the United States. In order to save the Fund(s) any additional expense of further solicitation, please vote your proxy promptly.**



**PROXY STATEMENT/PROSPECTUS**

**August 21, 2009**

**PROXY STATEMENT FOR:**

**COHEN & STEERS REIT AND UTILITY INCOME FUND, INC.**

**COHEN & STEERS SELECT UTILITY FUND, INC.**

**PROSPECTUS FOR:**

**COHEN & STEERS SELECT UTILITY FUND, INC.**

280 Park Avenue

New York, New York 10017

(212) 832-3232

This Combined Proxy Statement and Prospectus (the Proxy/Prospectus) is being furnished in connection with the solicitation of proxies by the Boards of Directors (each, a Board, and together, the Boards) of Cohen & Steers REIT and Utility Income Fund, Inc. (RTU) and Cohen & Steers Select Utility Fund, Inc. (UTF and, together with RTU, the Funds and each a Fund) for a Joint Special Meeting of Stockholders of each Fund (the Meeting). The Meeting will be held on October 22, 2009 at InterContinental The Barclay New York, 111 East 48th Street, North Parlor Rooms I and II, New York, New York 10017 at 10:00 a.m., Eastern time. At the Meeting, stockholders of the Funds will be asked to consider and act upon the following:

**PROPOSAL 1:** To approve the merger of RTU with and into UTF in accordance with the Maryland General Corporation Law (MGCL) (stockholders of each Fund voting with respect to their Fund);

**PROPOSAL 2:** To approve an amendment to UTF's charter to increase the number of authorized shares of UTF's capital stock (UTF stockholders voting); and

**PROPOSAL 3:** To approve changing UTF's investment objective (UTF stockholders voting).

If Proposal 1 is approved, as a result of the Merger, each full (and fractional) share of common stock, par value \$0.001 per share, of RTU (RTU Common Shares) would convert into an equivalent dollar amount (to the nearest \$0.001) of full (and fractional) shares of common stock, par value \$0.001 per share, of UTF (UTF Common Shares), based on the net asset value of each Fund. Although UTF Common Shares received in the Merger will have the same total net asset value as RTU Common Shares held immediately before the Merger, their stock price on the New York Stock Exchange (the NYSE) may be greater or less than the stock prices of RTU Common Shares, based on current market prices at the time of the Merger. All UTF Common Shares currently issued and outstanding will remain issued and outstanding following the Merger.

With respect to Proposal 1, the Merger will not be consummated unless the Merger is approved by the stockholders of each Fund. If stockholders of both Funds do not approve the Merger, the Merger will not proceed and RTU will continue in operation as a separate investment company, and the Board of RTU will separately consider such alternatives as it determines to be in the best interests of stockholders, including re-proposing the Merger.

The Boards believe that combining the Funds could benefit stockholders of each Fund by providing the potential for portfolio management efficiencies, a lower total annual operating expense ratio and enhanced market liquidity for UTF Common Shares.

Stockholders of UTF also are being asked to approve an amendment to UTF's charter that would increase the number of shares of the Fund's authorized common stock from 100 million to 300 million. If UTF's

stockholders do not approve Proposal 2, the Merger will proceed if stockholders of the Funds approve Proposal 1, but UTF may not have a sufficient amount of authorized stock to continue to issue to stockholders of the combined Fund in connection with UTF's dividend reinvestment plan ( DRIP ) or in connection with any other corporate action.

In addition, stockholders of UTF are separately being asked to approve changing UTF's investment objective to facilitate a broader investment focus on infrastructure securities. ***Stockholders of RTU do not vote on the change in UTF's investment objective, but if the Merger is approved and stockholders of UTF approve the proposed change to UTF's investment objective RTU would merge into UTF as a fund that focuses its investments in infrastructure securities, rather than a fund that focuses its investments in utility securities.*** Proposal 3 is not conditioned on the approval of either Proposal 1 or 2.

RTU and UTF were incorporated in Maryland on October 1, 2003 and January 8, 2004, respectively. Each Fund is a closed-end, non-diversified management investment company with common stock listed on the NYSE. The Funds have similar overall investment objectives and are managed by Cohen & Steers Capital Management, Inc. (the Investment Manager ). Please see Proposal 1 Comparison of Investment Objectives, Strategies and Principal Risks of Investing in the Funds in this Proxy/Prospectus.

The Merger will be effected pursuant to an Agreement and Plan of Merger, which is attached to this Proxy/Prospectus as Appendix A. The material terms and conditions of the Agreement and Plan of Merger are summarized in this Proxy/Prospectus. See Proposal 1 Information About the Merger The Agreement and Plan of Merger.

This Proxy/Prospectus serves as a prospectus for UTF Common Shares under the Securities Act of 1933, as amended (the Securities Act ), in connection with the issuance of UTF Common Shares in the Merger.

Assuming the Funds' stockholders approve the Merger and all other conditions to the consummation of the Merger are satisfied or waived, the Funds will file articles of merger (the Articles of Merger ) with the State Department of Assessments and Taxation in Maryland (the SDAT ). The Merger will become effective when the SDAT accepts for record the Articles of Merger or at such later time, which may not exceed 30 days after the Articles of Merger are accepted for record, as specified in the Articles of Merger. The date when the Articles of Merger are accepted for record, or the later date, is referred to in this Proxy/Prospectus as the Closing Date. RTU, as soon as practical after the Closing Date, will terminate its registration under the 1940 Act.

The Merger is being structured as a reorganization for federal income tax purposes. See Proposal 1 Information About the Proposed Merger Material U.S. Federal Income Tax Consequences. Stockholders should consult their tax advisors to determine the actual impact of the Merger on them in light of their individual tax circumstances.

You should retain this Proxy/Prospectus for future reference as it sets forth concisely information about the Funds that you should know before voting on the proposed Merger described herein.

A Statement of Additional Information ( SAI ) dated August 21, 2009, which contains additional information about the Merger and the Funds, has been filed with the Securities and Exchange Commission (the SEC ). The SAI is incorporated by reference into this Proxy/Prospectus. You may receive free of charge a copy of the SAI or a Fund's Annual Report to Stockholders for the fiscal year ended December 31, 2008 and Semi-Annual Report to Stockholders for the six month period ended June 30, 2009, which highlight certain important information such as investment performance and expense and financial information, by visiting our website at [www.cohenandsteers.com](http://www.cohenandsteers.com), by calling 800-330-7348 or by writing a Fund at the address listed above.

In addition, you can copy and review this Proxy/Prospectus and the complete filing on Form N-14 containing the Proxy/Prospectus, and any of the other above-referenced documents, at the SEC's Public Reference Room in Washington, D.C. You may obtain information about the operation of the Public Reference

Room by calling the SEC at (202) 551-8090. Reports and other information about each Fund are available on the EDGAR Database on the SEC's website at [www.sec.gov](http://www.sec.gov). You may also obtain copies of this information, after paying a duplicating fee, by electronic request at [publicinfo@sec.gov](mailto:publicinfo@sec.gov), or by writing the SEC at Public Reference Section, Securities and Exchange Commission, 100 F Street, N.E., Washington, D.C. 20549.

RTU and UTF common shares are listed on the NYSE under the symbols RTU and UTF, respectively. After the Closing Date, UTF Common Shares will continue to be listed on the NYSE under the symbol UTF. You also may inspect the Funds' stockholder reports, proxy materials and other information about the Funds at the NYSE.

The information contained herein concerning each Fund has been provided by, and is included herein in reliance upon, each respective Fund.

**The SEC has not approved or disapproved these securities nor passed upon the accuracy or adequacy of this Proxy/Prospectus. Any representation to the contrary is a criminal offense.**

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**PROPOSAL 1**

**TO APPROVE THE MERGER OF RTU WITH AND INTO UTF IN ACCORDANCE WITH THE  
MARYLAND GENERAL CORPORATION LAW**

**SUMMARY**

This summary is qualified in its entirety by reference to the additional information contained elsewhere in this Proxy/Prospectus and the Agreement and Plan of Merger, which is attached to this Proxy/Prospectus as Appendix A.

**Proposed Merger**

At meetings held on June 2, 2009, June 9-10, 2009, June 17, 2009 and June 29, 2009, the Funds' Boards, including the Directors who are not interested persons (as defined in the 1940 Act) of the Funds (the Independent Directors), considered and, on June 29, 2009, approved the Agreement and Plan of Merger. As a result of the Merger:

each full (and fractional) RTU Common Share will convert into an equivalent dollar amount (to the nearest \$0.001) of full (and fractional) UTF Common Shares, based on the net asset value per share of each Fund calculated at 4:00 p.m. on the Closing Date; and

each holder of RTU Common Shares will become a holder of UTF Common Shares and will receive, on the Closing Date, that number of full (and fractional) UTF Common Shares having an aggregate net asset value equal to the aggregate net asset value of such stockholder's RTU Common Shares as of the close of business on the Closing Date.

If the Merger is not approved, RTU will continue as a separate investment company, and the Board of RTU will separately consider such alternatives as it determines to be in the best interests of stockholders, including re-proposing the Merger.

For the reasons set forth below in Information About the Proposed Merger Reasons for the Merger and Board Considerations, the Board of each Fund, including the Independent Directors, have concluded that the Merger would be in the best interests of the Fund and its stockholders, and that the interests of Fund stockholders would not be diluted as a result of the Merger. **The Boards, therefore, are hereby submitting the Merger to Fund stockholders and recommend that stockholders of each Fund vote FOR the Merger.**

Because the Merger has been approved by the Board of each Fund, including at least 75% of the Continuing Directors (as defined herein), under the Funds' charters, approval of the Merger requires the affirmative vote of the holders of a majority of the outstanding shares of common stock of each Fund. See Voting Information below. The stockholders of each Fund will vote separately on the Merger. If stockholders approve the Merger, the Closing Date of the Merger is expected to be December 18, 2009, but in any event no later than December 31, 2009.

Prior to completion of the Merger, the Funds will each have received an opinion of Stroock & Stroock & Lavan LLP substantially to the effect that the Merger will qualify as a reorganization for federal income tax purposes. Accordingly, for federal income tax purposes, (i) no gain or loss will generally be recognized by RTU or the holders of RTU Common Shares as a result of the Merger, (ii) the aggregate tax basis of the UTF Common Shares received by the holders of RTU Common Shares will be the same as the aggregate tax basis of the holders' RTU Common Shares and (iii) a holder's holding period for UTF Common Shares will generally be determined by including the period for which he or she held RTU Common Shares that are converted pursuant to the Merger, provided that such shares were held as capital assets. For more information about the federal income tax consequences of the Merger, see Information about the Proposed Merger Material U.S. Federal Income Tax Consequences below.

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**Comparison of Investment Objectives, Strategies and Principal Risks of Investing in the Funds**

The Funds have similar overall investment objectives. *RTU stockholders should be aware that if stockholders of UTF approve Proposal 3 to change UTF's investment objective to facilitate a broader investment focus on infrastructure securities, and if the Merger is approved, RTU would merge into UTF as a fund that focuses its investment in infrastructure securities, rather than a fund that focuses its investments in utility securities.* Securities and instruments of infrastructure companies are more susceptible to adverse economic or regulatory occurrences affecting their industries. Infrastructure companies may be subject to a variety of factors that may adversely affect their business or operations, including high interest costs in connection with capital construction programs, costs associated with regulation by various government authorities and the imposition of special tariffs and changes in tax laws. For additional information about investments in infrastructure companies and the related risks, see Proposal 3 herein. Stockholders of RTU do not vote on changing UTF's investment objective.

RTU's primary investment objective is high current income with a secondary objective of capital appreciation. UTF's investment objective currently is high after-tax total return through investment in utility securities. In pursuing total return, UTF equally emphasizes both current income, consisting primarily of tax-advantaged dividend income, and capital appreciation. Each Fund is a non-diversified, closed-end management investment company and is managed by the Investment Manager.

Each Fund focuses its investments in equity securities, including common stocks, preferred stocks and other equity securities. Under normal market conditions, UTF invests at least 80% of its managed assets in a portfolio of common stocks, preferred stocks and other equity securities issued by companies engaged in the utility industry ( utility companies ). If Proposal 3 is approved by UTF stockholders, UTF will invest, under normal market conditions, at least 80% of its managed assets in securities issued by infrastructure companies, which consist of utilities, pipelines, toll roads, airports, railroads, ports, telecommunications companies and other infrastructure companies. Under normal market conditions, RTU invests at least 80% of its managed assets in a portfolio of securities issued by real estate investment trusts ( REITs ) and utility companies. RTU invests at least 65% of its managed assets in common stocks, preferred stocks and other equity securities issued by real estate companies, including REITs, and utility companies, with at least 25% of its managed assets invested in equity securities issued by real estate companies and at least 25% in equity securities issued by utility companies. The Investment Manager retains broad discretion to allocate RTU's investments between securities issued by companies in the real estate and utilities industries in a manner it believes will best achieve RTU's investment objectives. As used in this Proxy/Prospectus, managed assets are a Fund's net assets applicable to shares of its common stock plus the liquidation preference of auction market preferred securities ( AMPS ), if any, and the outstanding balance of its borrowings, if any.

RTU may invest up to 20% of its managed assets in preferred securities and other fixed income securities issued by any type of company. UTF is not limited in the amount of assets it may invest in preferred and other fixed income securities. Each Fund also may invest up to 25% of its managed assets in non-investment grade preferred securities and other fixed income securities. RTU may invest up to 20% of its managed assets in foreign securities, including up to 10% in companies located in emerging market countries. UTF is not limited in the amount of assets it may invest in foreign securities, including in companies located in emerging market countries, although such investments may be limited by the Fund's emphasis on current income consisting primarily of tax-advantaged dividend income, which certain foreign issuers may not provide.

Each Fund may invest up to 10% of its managed assets in illiquid securities. Each Fund generally will not invest more than 10% of its managed assets in the securities of one issuer.

Each Fund may purchase and sell derivative instruments such as exchange-listed and over-the-counter put and call options on securities (including securities of investment companies and baskets of securities), indexes, and other financial instruments; purchase and sell financial futures contracts and options thereon, enter into various interest rate transactions, such as swaps, caps, floors or collars or credit transactions; equity index, total

return and credit default swaps; forward contracts; and structured investments. In addition, the Funds may enter into various currency transactions, such as forward currency contracts, currency futures contracts, currency swaps and options on currency or currency futures. The Funds also may purchase and sell derivative instruments that combine features of these instruments.

Each Fund may engage in securities lending up to 33-<sup>1</sup>/<sub>3</sub>% of managed assets, and may acquire or maintain securities in investment companies in accordance with the limits set forth in Section 12(d)(1) of the 1940 Act.

The fundamental investment restrictions to which the Funds are subject are identical, except with respect to the Funds' fundamental policies to concentrate at least 25% of their managed assets in the utility industry (UTF) and each of the real estate and utility industries (RTU).

Because each Fund concentrates at least 25% its assets in the utility industry, a Fund's investments will be closely linked to the performance of the utility industry. Certain segments of this industry and individual companies within such segments may not perform as well as the industry as a whole. Issuers in the utility industry are subject to a variety of factors that may adversely affect their business or operations, including: high interest costs in connection with capital construction and improvement programs; effects of economic slowdowns and surplus capacity; increased competition from other providers of utility services; costs associated with reduced availability of certain types of fuel; and technological innovations that may render existing plants, equipment or products obsolete. Issuers in the utility industry also may be subject to regulation by various governmental authorities and may be affected by the imposition of special tariffs and changes in tax laws, regulatory policies and accounting standards. In addition, there are substantial differences between the regulatory practices and policies of various jurisdictions, and any given regulatory agency may make major shifts in policy from time to time. There is no assurance that regulatory authorities will, in the future, grant rate increases or that such increases will be adequate to permit the payment of dividends on preferred or common stocks. Prolonged changes in climatic conditions can also have a significant impact on both the revenues of an electric or gas utility as well as its expenses.

Because RTU also concentrates its assets in the real estate industry, its investments will be closely linked to the performance of the real estate markets. Property values may fall due to increasing vacancies or declining rents resulting from economic, legal, cultural or technological developments. REIT prices also may drop because of the failure of borrowers to pay their loans and poor management. Many REITs utilize leverage, which increases investment risk and could adversely affect a REIT's operations and market value in periods of rising interest rates as well as risks normally associated with debt financing. In addition, there are specific risks associated with particular sectors of real estate investments such as retail, office, hotel, healthcare, and multifamily properties. UTF also will be subject to the same risks to the extent it invests in the real estate industry.

When the Investment Manager believes that market or general economic conditions justify a temporary defensive position, each Fund may deviate from its investment objective(s) and invest all or any portion of its assets in investment grade debt securities, without regard to whether the issuer is a utility company, or, for RTU, a real estate company. When and to the extent a Fund assumes a temporary defensive position, it may not pursue or achieve its investment objective(s).

Neither of the Funds are intended to be a complete investment program, and there is no assurance that either of the Funds will achieve their investment objective(s).

The preceding summary of the Funds' investment objective(s) and certain policies and related risks should be considered in conjunction with the discussion below under "Comparison of Investment Objectives, Strategies and Principal Risks of Investing in the Funds' Investment Objectives, Strategies and Principal Risks," "Additional Investment Activities," "Risk Factors" and "Investment Restrictions," which contains a more complete comparison of the Funds' investment objective(s), strategies, policies and restrictions and related risks. The investment strategies, policies and restrictions of will be the same for the combined Fund, including any changes approved by UTF's stockholders set forth in Proposal 3.



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**Fees and Expenses**

Each Fund has employed leverage as part of its investment strategy since shortly after its inception. Historically, the Funds' leverage has consisted of proceeds from the issuance of AMPS. In February 2008, the auction market for these types of securities failed, and the Funds have, since that time, redeemed all of their outstanding shares of AMPS by borrowing funds pursuant to lines of credit with a financial institution ( borrowings ) or by cash proceeds from the sale of portfolio securities. As of December 31, 2008, each Fund's most recent fiscal year end, each Fund used a combination of AMPS and borrowings to finance its leverage strategy. On June 30, 2009 the Funds publicly announced their intent to redeem all of their outstanding shares of AMPS through the incurrence of additional borrowings. These redemptions were completed on July 24, 2009.

To complete the AMPS redemptions and maintain the Funds' leverage strategies at their levels at the time of such redemptions, the Funds relied, and continue to rely, on an exemptive order from the SEC providing temporary relief from the 300% asset coverage requirements for debt set forth in Section 18 of the 1940 Act. This allowed each Fund to redeem its then-outstanding AMPS by borrowing funds pursuant to a line of credit under the same 200% asset coverage requirements set forth in Section 18 of the 1940 Act for AMPS, instead of the statutorily-imposed asset coverage ratio for debt of 300%. This relief is temporary and, unless extended by the SEC, will expire on October 31, 2010.

Upon the Closing Date, assuming the Merger is approved, the existing credit arrangement for UTF will terminate in accordance with its terms, and the existing lender for each Fund will remain the sole lender to the combined Fund, which will assume the debt of RTU as part of the Merger. After the Merger, the amount available under the credit arrangement will be sufficient for the combined Fund to maintain its current leverage strategy, although the amount of leverage employed by UTF may change over time. In addition, there is no guarantee that borrowing rates under the existing or future credit arrangements will remain the same.

Following completion of the Merger, the Investment Manager expects the total annual operating expenses borne by the stockholders of the combined Fund to vary, in some circumstances substantially, from the expense information provided in each Fund's Annual Report to Stockholders for the fiscal year ended December 31, 2008, as the combined Fund will no longer be paying dividend payments on AMPS (which are not reflected as Fund expenses), but will be paying interest and fees on borrowings, including the borrowings assumed from RTU. In light of the material change in the Funds' capital structure that has occurred since December 31, 2008, the fee table below reflects the Funds' actual expenses as of April 30, 2009, on an annualized basis, assuming each Fund replaced with borrowings all of its AMPS outstanding as of April 30, 2009 and had credit arrangements with their lenders, on the same terms in effect for UTF but with adjusted lines of credit as set forth in the footnotes to the table below. The Funds expect that the expenses of the stockholders of the combined Fund will more closely reflect the expense structure shown in the table below instead of the expenses borne by the Funds' stockholders for the twelve month period ended December 31, 2008.

*Fee Table*

After the Merger, the combined Fund is anticipated to have a lower total annual operating expense ratio, including the cost of leverage (interest and fees on borrowings), than each Fund's total annual operating expense ratio individually prior to the Merger (including interest and fees on borrowings).

The table below reflects the Funds' expense ratios (based upon each Fund's net assets) as of April 30, 2009, on an annualized basis, assuming each Fund replaced with borrowings all of its AMPS outstanding as of April 30, 2009 and had credit arrangements with their current lenders, on the same terms in effect for UTF but with adjusted lines of credit as set forth in the footnotes to the table below. Accordingly, the actual fees and expenses of each Fund and the combined Fund as of the Closing Date can be expected to differ from those reflected in the tables below due to changes in net assets and interest rates from those at April 30, 2009 and other factors. Changes in net assets may result from market appreciation or depreciation and other factors occurring between April 30, 2009 and the Closing Date. As a general matter, changes (positive or negative) in a Fund's expense

ratio resulting from fluctuations in the Fund's net assets will be borne by that Fund's stockholders and, after the Merger, the combined Fund. The table does not reflect non-recurring estimated Merger expenses of approximately \$632,000, of which \$300,000 is attributable to RTU and \$332,000 is attributable to UTF. These estimated expenses are equal to 0.07% of the net assets of each individual Fund, as well as the combined Fund.

	RTU	UTF	Pro Forma Combined Fund (UTF) <sup>1</sup>
<b>Stockholder Transaction Expenses</b>			
Sales Load (as a percentage of offering price) <sup>2</sup>	None	None	None
Dividend Reinvestment Plan Fees <sup>3</sup>	None	None	None
<b>Annual Expenses (as a percentage of net assets attributable to common stock)<sup>4</sup></b>			
Management Fees <sup>5</sup>	1.47%	1.46%	1.46%
Other Expenses	0.40%	0.35%	0.31%
Interest Payments on Borrowed Funds <sup>6</sup>	1.29%	1.27%	1.23%
Total Annual Fund Operating Expenses	3.16%	3.08%	3.00%
Expense Waivers <sup>5</sup>	-0.26%	-0.26%	-0.26%
Net Annual Fund Operating Expenses <sup>7</sup>	2.90%	2.82%	2.74%

1. The Pro Forma Combined Fund column assumes the proposed Merger was consummated on April 30, 2009.
2. Shares of the Funds' common stock are traded on the secondary market and, as such, transactions are not subject to sales charges, but may be subject to brokerage commissions or other charges. The table does not include any underwriting commissions paid by stockholders in the initial public offering of the common stock of each Fund.
3. Each participant in a Fund's DRIP pays a proportionate share of the brokerage commissions incurred with respect to open market purchases, if any, made by the Fund's Plan Agent (defined below).
4. Annual Expenses are stated as a percentage of net assets attributable to the Funds' shares of common stock, assuming leverage (borrowings) as discussed above.
5. Reflects the effective management fee rate paid by each Fund's common stockholders. RTU and UTF are each charged a management fee of 0.85% of the Fund's average daily managed assets, and the combined Fund will continue to pay a contractual management fee of 0.85% of its average daily managed assets. The Investment Manager has contractually agreed to waive a portion of each Fund's management fee on a declining annual basis. The contractual fee waiver arrangement for UTF also is reflected in the Pro Forma Combined Fund column. For more information on the Funds' contractual fee waivers, please see Information About Management of the Funds' Investment Manager.
6. The expenses related to the Funds' borrowings, including certain non-interest expenses, are reflected under Interest Payments on Borrowed Funds. As of April 30, 2009, RTU and UTF had separate lines of credit of \$440 million and \$360 million, respectively. On July 15, 2009, RTU and UTF adjusted their lines of credit to \$405 million and \$445 million, respectively. The Pro Forma Combined Fund column assumes a single line of credit of \$850 million as of April 30, 2009 (on the terms and conditions currently in place for UTF). The expenses for each Fund set forth in the table above are based on the adjusted lines.

7. As noted above, as of December 31, 2008, the Funds' leverage strategy consisted of a mix of AMPS and borrowings. Annual expenses, stated as a percentage of net assets attributable to the Funds' shares of common stock, as of December 31, 2008, were as follows:

	RTU	UTF	Pro Forma Combined Fund (UTF)*
Management Fees**	1.45%	1.38%	1.41%
Other Expenses	0.32%	0.31%	0.28%
Interest Payments on Borrowed Funds***	0.34%	0.31%	0.24%
Total Annual Fund Operating Expenses	2.11%	2.00%	1.93%
Expense Waivers**	-0.34%	-0.32%	-0.33%
Net Annual Fund Operating Expenses	1.77%	1.68%	1.60%
Dividends Paid to AMPS Holders	2.75%	2.36%	2.57%
Net Annual Fund Operating Expenses and Dividends Paid to AMPS Holders	4.52%	4.04%	4.17%

\* The Pro Forma Combined Fund column assumes the proposed Merger was consummated on January 1, 2008.

\*\* Reflects the effective management fee rate paid by each Fund's common stockholders. RTU and UTF are each charged a management fee of 0.85% of the Fund's average daily managed assets, and the combined Fund will continue to pay a contractual management fee of 0.85% of its average daily managed assets. The Investment Manager had contractually agreed to waive a portion of each Fund's management fee on a declining annual basis. The contractual fee waiver arrangement for UTF also is reflected in the Pro Forma Combined Fund column. For more information on the Funds' contractual fee waivers, please see Information About Management of the Funds' Investment Manager.

\*\*\* The expenses related to the Funds' borrowings, including certain non-interest expenses and the payments to broker-dealers that have entered into agreements with the auction agent for the Funds' AMPS, are reflected under Interest Payments on Borrowed Funds. As of December 31, 2008, RTU and UTF had separate lines of credit of \$440 million and \$360 million, respectively. The Pro Forma Combined Fund column assumes a single line of credit of \$800 million during the twelve-month pro forma period ended December 31, 2008 (on the terms and conditions currently in place for UTF).

Each of the Funds had outstanding multiple series of AMPS as of December 31, 2008. Because dividend payments to AMPS holders are not expenses of the Funds under applicable accounting rules, Total Annual Fund Operating Expenses and Net Annual Fund Operating Expenses exclude the effect of these payments.

*Expense Example*

The following example is intended to help you compare the costs of an investment in the combined Fund (UTF), after the Merger is consummated, with the costs of investing in a Fund before the Merger. The example is based on each Fund's Total Annual Fund Operating Expenses as set forth in the Fee Table, which are based on an annualization of each Fund's actual expense ratio as of April 30, 2009 and assumes the assumptions set forth in the table above. An investor would pay the following expenses on a \$1,000 investment in shares of a Fund's common stock, assuming a 5% annual return on net asset value through the period and no changes to Total Annual Fund Operating Expenses (except to account for contractual expense waiver arrangements) for each Fund for years 1 through 10:

	1 Year	3 Years	5 Years	10 Years
RTU	\$ 29	\$ 93	\$ 161	\$ 344
UTF	\$ 29	\$ 90	\$ 157	\$ 336
Pro Forma Combined Fund	\$ 28	\$ 88	\$ 153	\$ 329

The example set forth above assumes the reinvestment of all dividends and distributions at net asset value. The example should not be considered a representation of past or future expenses or annual rates of return. Actual expenses or annual rates of return may be more or less than those assumed for purposes of the example.

## COMPARISON OF INVESTMENT OBJECTIVES, STRATEGIES AND PRINCIPAL RISKS OF

### INVESTING IN THE FUNDS

#### Investment Objectives, Strategies and Principal Risks

The Funds have similar overall investment objectives. *RTU stockholders should be aware that if stockholders of UTF approve Proposal 3 to change UTF's investment objective to facilitate a broader investment focus on infrastructure securities, and if the Merger is approved, RTU would merge into UTF as a fund that focuses its investment in infrastructure securities, rather than a fund that focuses its investments in utility securities.* Securities and instruments of infrastructure companies are more susceptible to adverse economic or regulatory occurrences affecting their industries. Infrastructure companies may be subject to a variety of factors that may adversely affect their business or operations, including high interest costs in connection with capital construction programs, costs associated with regulation by various government authorities and the imposition of special tariffs and changes in tax laws. For additional information about investments in infrastructure companies and the related risks, see Proposal 3 herein. Stockholders of RTU do not vote on changing UTF's investment objective.

RTU's primary investment objective is high current income with a secondary objective of capital appreciation. UTF's investment objective currently is high after-tax total return through investment in utility securities. In pursuing total return, UTF equally emphasizes both current income, consisting primarily of tax-advantaged dividend income, and capital appreciation. Each Fund is a non-diversified, closed-end management investment company and is managed by the Investment Manager.

Each Fund focuses its investments in equity securities, including common stocks, preferred stocks and other equity securities. Under normal market conditions, UTF invests at least 80% of its managed assets in a portfolio of common stocks, preferred stocks and other equity securities issued by utility companies. If Proposal 3 is approved by UTF stockholders, UTF will invest, under normal market conditions, at least 80% of its managed assets in securities issued by infrastructure companies, which consist of utilities, pipelines, toll roads, airports, railroads, ports, telecommunications companies and other infrastructure companies. Under normal market conditions, RTU invests at least 80% of its managed assets in a portfolio of securities issued by REITs and utility companies. RTU invests at least 65% of its managed assets in common stocks, preferred stocks and other equity securities issued by real estate companies, including REITs, and utility companies, with at least 25% of its managed assets invested in equity securities issued by real estate companies and at least 25% in equity securities issued by utility companies. The Investment Manager retains broad discretion to allocate RTU's investments between securities issued by companies in the real estate and utilities industries in a manner it believes will best achieve RTU's investment objectives.

In making investment decisions with respect to common stocks and other equity securities issued by utility securities in which each Fund concentrates its assets, the Investment Manager relies on a fundamental analysis of each company. Securities are evaluated for their potential to provide an attractive total return, through a combination of dividend yield and capital appreciation. The Investment Manager reviews each company's potential for success in light of general economic and industry trends, as well as the company's quality of management, financial condition, business plan, industry and sector market position, dividend payout ratio and corporate governance. The Investment Manager utilizes a value-oriented approach, and evaluates each company's valuation on the basis of relative price/cash flow and price earnings multiples, earnings growth rate, dividend yield and price/book value, among other metrics.

In making investment decisions with respect to common stocks and other equity securities, including securities of REITs in which RTU concentrates its investments and UTF may invest, the Investment Manager relies on a fundamental analysis of each company. Securities are evaluated for their potential to provide an attractive total return, through a combination of dividend income and capital appreciation. The Investment Manager reviews a company's potential for success in light of the company's industry and sector position, and economic and market conditions. The Investment Manager evaluates a number of company-specific factors, including quality of management, financial condition, corporate governance, business plan and cash flow and dividend growth potential. The Investment Manager evaluates a security's valuation on one or more of the following criteria: price/cash flow multiple, discounted cash flow, price/net asset value and dividend yield.

In making investment decisions with respect to preferred securities and other fixed income securities in which each Fund invests, the Investment Manager seeks to select securities it views as undervalued on the basis of risk and return profiles. In making these determinations, the Investment Manager evaluates the fundamental characteristics of an issuer, including an issuer's creditworthiness, and also takes into account prevailing market factors. In analyzing credit quality, the Investment Manager considers not only fundamental analysis, but also an issuer's corporate and capital structure and the placement of the preferred or debt securities within that structure. The Investment Manager takes into account other factors, such as call and other structural features, event risk, the likely directions of ratings and relative value versus other income security classes, among others. Each Fund generally will not invest more than 10% of its managed assets in the securities of one issuer.

The combined Fund will continue to employ the same principal investment strategies used by UTF, except to the extent that UTF's stockholders approve Proposal 3 to change UTF's investment objective. If Proposal 3 is approved, the combined Fund will continue to use similar investment strategies to those discussed herein, but with a broader investment focus on infrastructure securities.

Each Fund may invest in, among other things, the types of securities and instruments described below:

*Utility Companies*

Under normal market conditions, each Fund concentrates at least 25% of its managed assets in the utility industry. Utility companies derive at least 50% of their revenues from, or have at least 50% of their assets committed to, the:

generation, transmission, sale or distribution of electric energy;

distribution, purification and treatment of water;

production, transmission or distribution of natural gas; and

provision of communications services, including cable television, satellite, microwave, radio, telephone and other communications media.

Substantially all of the securities issued by utility companies in which a Fund invests are traded on a national securities exchange or in the over-the-counter market. Utility companies generally pay dividends on their equity securities that qualify for the dividends received deduction (the DRD) under Section 243 of the Internal Revenue Code of 1986, as amended (the Code), and are considered qualified dividend income eligible for reduced rates of taxation. Corporate stockholders are generally permitted to claim a deduction with respect to that portion of their distributions attributable to amounts received by a Fund that qualify for the DRD. Under current law, individuals will generally be taxed at long-term capital gain rates on qualified dividend income. Each Fund generally can pass the tax treatment of qualified dividend income it receives through to stockholders, provided that holding period and other requirements are met.

### *Real Estate Companies*

Under normal market conditions, RTU also concentrates at least 25% of its managed assets in the real estate industry. UTF may invest, but does not concentrate its assets, in the real estate industry. For purposes of RTU's investment policies, a real estate company is one that:

derives at least 50% of its revenues from the ownership, construction, financing, management or sale of commercial, industrial, or residential real estate; or

has at least 50% of its assets in such real estate.

Equity securities of real estate companies consist of:

common stocks (including REIT shares);

preferred stocks;

rights or warrants to purchase common and preferred stocks; and

securities convertible into common and preferred stocks where the conversion feature represents, in the Investment Manager's view, a significant element of the securities' value.

### *Real Estate Investment Trusts*

A REIT is a company dedicated to owning, and usually operating, income producing real estate, or to financing real estate. REITs pool investors funds for investment primarily in income producing real estate or real estate-related loans or interests. A REIT is not taxed on income distributed to stockholders if, among other things, it distributes to its stockholders substantially all of its taxable income (other than net capital gains) for each taxable year. As a result, REITs tend to pay relatively higher dividends than other types of companies and RTU intends to use these REIT dividends in an effort to meet the high current income goal of its investment objective.

REITs can generally be classified as equity REITs, mortgage REITs and hybrid REITs. Equity REITs, which invest the majority of their assets directly in real property, derive their income primarily from rents. Equity REITs can also realize capital gains by selling properties that have appreciated in value. Mortgage REITs, which invest the majority of their assets in real estate mortgages, derive their income primarily from interest payments. Hybrid REITs combine the characteristics of both equity REITs and mortgage REITs. RTU does not currently intend to invest more than 10% of its managed assets in mortgage REITs or hybrid REITs.

### *Foreign (Non-U.S.) Companies*

Each Fund may invest in securities of foreign issuers. RTU may invest up to 20% of its managed assets in securities of foreign issuers, including securities represented by American Depositary Receipts ( ADRs ). RTU will not invest more than 10% of its managed assets in securities of issuers in emerging markets (or less developed countries). UTF is not limited in the amount of assets it may invest in foreign securities, including in companies located in emerging market countries, although such investments may be limited by the Fund's emphasis on current income consisting primarily of tax-advantaged dividend income, which certain foreign issuers may not provide.

Dividend income a Fund receives from foreign securities may not be eligible for the special tax treatment applicable to qualified dividend income. However, dividend income a Fund receives from securities of certain qualified foreign corporations (e.g., generally, foreign corporations incorporated in a possession of the United States or in certain countries with a qualifying comprehensive tax treaty with the United States, or the stock with respect to which such dividend is paid is readily tradable on an established securities market in the United States, but not including a foreign corporation which for the taxable year of the corporation in which the dividend was paid, or the preceding taxable year, is a passive foreign investment company, as defined in the Code) will be eligible for the special tax treatment applicable to qualified dividend income.



*Preferred Securities*

RTU may invest up to 20% of its managed assets in preferred securities and other fixed-income securities issued by any type of company. UTF is not limited in the amount of assets it may invest in preferred and other fixed income securities. There are two basic types of preferred securities. The first, sometimes referred to in this Proxy/Prospectus as traditional preferred securities, consists of preferred stock issued by an entity taxable as a corporation. Preferred stocks are considered equity securities. The second basic type is referred to in this Proxy/Prospectus as hybrid-preferred securities. Hybrid-preferred securities are usually issued by a trust or limited partnership and often represent preferred interests in subordinated debt instruments issued by a corporation for whose benefit the trust or partnership was established. Hybrid-preferred securities are considered debt securities. Preferred securities pay fixed or floating dividends to investors and have preference over common stock in the payment of dividends and in the liquidation of a company's assets. This means that a company must pay dividends on preferred stock before paying dividends on its common stock. Preferred stockholders usually have no right to vote for corporate directors or on other matters. The hybrid and REIT preferred securities in which the Funds invest do not qualify for the DRD and are not expected to provide significant benefits under the rules relating to qualified dividend income. As a result, any corporate stockholder who otherwise would qualify for the DRD, and any individual stockholder who otherwise would qualify to be taxed at long-term capital gain rates on qualified dividend income, should assume that none of the distributions the stockholder receives from a Fund attributable to hybrid and REIT preferred securities will qualify for the DRD or provide significant benefits under the rules relating to qualified dividend income. Distributions received from a Fund attributable to traditional preferred securities, other than those issued by REITs, generally would qualify for the DRD as to any corporate stockholder and generally would qualify to be taxed at long-term capital gains rates as to any individual stockholder.

*Debt Securities*

Each Fund may invest in debt securities issued by real estate companies, including REITs, utility companies and other types of issuers. The Fund's investments in debt securities may include investments in convertible debt securities, convertible preferred securities, corporate debt securities issued by domestic and non-U.S. corporations and government debt securities issued or guaranteed by the U.S. Government or its agencies or instrumentalities or a non-U.S. Government or its agencies or instrumentalities, such as mortgage debt securities. Convertible securities are exchangeable for common stock at a predetermined stock (the conversion price). Depending upon the relationship of the conversion price to the market value of the underlying securities, convertible securities may trade more like common stock than debt instruments.

*Lower-Rated Securities*

Each Fund is permitted to invest up to 25% of its managed assets in preferred stock and debt securities rated below investment grade and equivalent unrated securities of comparable quality as determined by the Investment Manager. Securities rated non-investment grade (lower than BBB- by Standard & Poor's Ratings Group (S&P)) or lower than Baa3 by Moody's Investors Service, Inc. (Moody's)) are sometimes referred to as high yield or junk bonds. UTF may only invest in high yield securities that are rated CCC or higher by S&P, or rated Caa or higher by Moody's or unrated securities determined by the Investment Manager to be of comparable quality. The issuers of these securities have a currently identifiable vulnerability to default and such issues may be in default or there may be present elements of danger with respect to principal or interest. The Funds will not invest in securities that are in default at the time of purchase. For a description of S&P and Moody's ratings, see Appendix D to this Proxy/Prospectus.



## **Additional Investment Activities**

### *Derivatives Transactions*

The Funds may, but are not required to, use various strategic transactions described below to seek to generate total return, facilitate portfolio management and mitigate risks. Although the Investment Manager may seek to use these kinds of transactions to further a Fund's investment objective(s), no assurance can be given that they will achieve this result.

The Funds may enter into exchange-listed and over-the-counter put and call options on securities (including securities of investment companies and baskets of securities), indexes, and other financial instruments; purchase and sell financial futures contracts and options thereon; enter into various interest rate transactions, such as swaps, caps, floors or collars or credit transactions; equity index, total return and swaps; credit default swaps; forward contracts; and structured investments. In addition, the Funds may enter into various currency transactions, such as forward currency contracts, currency futures contracts, currency swaps or options on currency or currency futures. The Funds also may purchase and sell derivative instruments that combine features of these instruments. The Funds may invest in other types of derivatives, structured and similar instruments which are not currently available but which may be developed in the future. Collectively, all of the above are referred to as Derivatives Transactions.

### *Securities Lending*

Each Fund may lend portfolio securities to broker/dealers or other institutions. The borrower must maintain with a Fund cash or equivalent collateral equal to at least 100% of the market value of the securities loaned. During the time portfolio securities are on loan, the borrower pays the Fund any dividends or interest paid on the securities. The Fund may invest the collateral and earn additional income or receive an agreed upon amount of interest income from the borrower. Loans are subject to termination at the option of the Fund or the borrower. The Funds may pay reasonable administrative and custodial fees in connection with a loan. The Funds do not have the right to vote securities on loan, but would terminate the loan and regain the right to vote if that were considered important with respect to the investment. A Fund may lose money if a borrower defaults on its obligation to return securities and the value of the collateral held by the Fund is insufficient to replace the loaned securities. In addition, each Fund is responsible for any loss that might result from its investment of the borrower's collateral.

### *Other Investment Companies*

Each Fund may invest in other investment companies to the extent permitted by Section 12(d)(1) of the 1940 Act. Each Fund also may invest in other investment companies either during periods when it has large amounts of uninvested cash or during periods when there is a shortage of attractive opportunities in the market. As a stockholder in an investment company, a Fund would bear its ratable share of that investment company's expenses, and would remain subject to payment of the Fund's advisory and other fees and expenses with respect to assets so invested. Common stockholders would therefore be subject to duplicative expenses to the extent the Fund invests in other investment companies. The securities of other investment companies may also be leveraged and will therefore be subject to the same leverage risks to which the Fund is subject. Investment companies may have investment policies that differ from those of the Funds. In addition, to the extent a Fund invests in other investment companies, the Fund will be dependent upon the investment and research abilities of persons other than the Investment Manager.

In accordance with Section 12(d)(1)(F) of the 1940 Act, a Fund may be limited in the amount the Fund and its affiliates, including the other Funds, can invest in any one fund (a Portfolio Fund) to 3% of the Portfolio Fund's total outstanding stock. As a result, the Fund may hold a smaller position in a Portfolio Fund than if it were not subject to this restriction. To comply with provisions of the 1940 Act, on any matter upon which Portfolio Fund stockholders are solicited to vote the Investment Manager may be required to vote Portfolio Fund shares in the same general proportion as shares held by other stockholders of the Portfolio Fund.

#### *Restricted and Illiquid Securities*

Each Fund may each invest up to 10% of its managed assets in such securities. Illiquid securities include, but are not limited to, restricted securities (securities the disposition of which is restricted under the federal securities laws), securities that may only be resold pursuant to Rule 144A under the Securities Act but that are deemed to be illiquid, and repurchase agreements with maturities in excess of seven days. Each Fund's Board or its delegate has the ultimate authority to determine, to the extent permissible under the federal securities laws, which securities are liquid or illiquid for purposes of the Fund's investment limitations, if applicable. The Boards have delegated to the Investment Manager the day-to-day determination of the illiquidity of any security held by the Funds, although they have retained oversight and ultimate responsibility for such determinations. Although no definitive liquidity criteria are used, the Boards and/or the Investment Manager will consider factors such as (i) the nature of the market for a security (including the institutional private resale market; the frequency of trades and quotes for the security; the number of dealers willing to purchase or sell the security; the amount of time normally needed to dispose of the security; and the method of soliciting offers and the mechanics of transfer), (ii) the terms of certain securities or other instruments allowing for the disposition to a third party or the issuer thereof (e.g., certain repurchase obligations and demand instruments) and (iii) other permissible relevant factors.

#### *Other Investments*

Each Fund's cash reserves, held to provide sufficient flexibility to take advantage of new opportunities for investments and for other cash needs, are invested in money market instruments. Money market instruments in which each Fund may invest its cash reserves will generally consist of obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities and such obligations that are subject to repurchase agreements and commercial paper.

#### *Portfolio Turnover*

The Funds may engage in portfolio trading when considered appropriate, but short-term trading will not be used as the primary means of achieving a Fund's investment objectives. However, there are no limits on the rate of portfolio turnover, and investments may be sold without regard to length of time held when, in the opinion of the Investment Manager, investment considerations warrant such action. A higher turnover rate results in correspondingly greater brokerage commissions and other transactional expenses which are borne by a Fund. High portfolio turnover may result in the realization of net short-term capital gains by a Fund which, when distributed to stockholders, will be taxable as ordinary income.

#### *Temporary Defensive Position*

Upon the Investment Manager's recommendation, during periods of unusual adverse market condition and in order to keep a Fund's cash fully invested, the Fund may deviate from its investment objectives and invest all or any portion of its assets in, for RTU, investment grade debt securities, and for UTF, short-term debt instruments, government securities, cash or cash equivalents, without regard to whether the issuer is a real estate company or a utility company. In such a case, the Funds may not pursue or achieve their investment objectives.

#### **Risk Factors**

There is no guarantee that each Fund's common stock will not lose value. This means the stockholders of each Fund including the combined Fund could lose money. The following discussion describes the principal and certain other risks that may affect the Funds.

#### *Market Risk*

An investment in a Fund represents an indirect investment in the common stock, preferred securities and other securities owned by the Fund, substantially all of which are traded on a domestic or foreign securities exchange or in the over-the-counter markets. The value of these securities, like other investments, may move up

or down, sometimes rapidly and unpredictably. A Fund's common stock, at any point in time, may be worth less than what was initially invested, even after taking into account the reinvestment of dividends and distributions. Each Fund utilizes leverage, which magnifies market risk.

*Risks of Securities Linked to the Utility Industry*

Because each Fund concentrates its investments in common stocks, preferred stocks and other equity securities issued by utility companies, an investment in a Fund will be significantly impacted by the performance of the utilities industry. Each Fund's emphasis on securities of utility issuers makes it more susceptible to adverse economic, political or regulatory occurrences affecting such issuers than a fund that does not have its assets invested to a similar degree in such issuers. The utility industry generally includes companies involved in providing products, services or equipment for (i) the generation or distribution of electricity, gas or water, (ii) telecommunications services or (iii) infrastructure operations, such as airports, toll roads and municipal services. Certain segments of this industry and individual companies within such segments may not perform as well as the industry as a whole. Issuers in the utility industry are subject to a variety of factors that may adversely affect their business or operations, including:

high interest costs in connection with capital construction and improvement programs;

difficulty in raising capital in adequate amounts on reasonable terms in periods of high inflation and unsettled capital markets;

governmental regulation of rates charged to customers;

costs associated with compliance with and changes in environmental and other regulations;

effects of economic slowdowns and surplus capacity;

increased competition from other providers of utility services;

inexperience with and potential losses resulting from a developing deregulatory environment;

costs associated with reduced availability of certain types of fuel, occasionally reduced availability and high costs of natural gas for resale and the effects of energy conservation policies, and the potential that costs incurred by the utility, such as the cost of fuel, change more rapidly than the rate the utility is permitted to charge its customers;

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 and the disposal of radioactive wastes;

technological innovations that may render existing plants, equipment or products obsolete; and

potential impact of terrorist activities on the utility industry and its customers and the impact of natural or man-made disasters, including events such as the blackout that affected electric utility companies in many Mid-Atlantic and Midwest states in 2003.

Issuers in the utility industry may be subject to regulation by various governmental authorities in various jurisdictions and may be affected by the imposition of special tariffs and changes in tax laws, regulatory policies and accounting standards. Various regulatory regimes also impose limitations on the percentage of the shares of a public utility held by a Fund as an investment for its clients. These limitations may unfavorably

restrict the ability of a Fund to make certain investments. Generally, prices charged by certain utilities are regulated in the United States with the intention of protecting the public while ensuring that the rate of return earned by such companies is sufficient to allow them to attract capital in order to grow and continue to provide appropriate services. There can be no assurance that such pricing policies or rates of return will continue in the future. The nature of regulation in the utility industry is evolving. Changes in regulation increasingly allow participants in the utility industry to provide services and products outside their traditional geographic areas and lines of

business, creating new areas of competition within such industries. The emergence of competition may result in certain companies being forced to defend their core businesses which may cause such companies to be less profitable.

In addition, there are substantial differences between the regulatory practices and policies of various jurisdictions, and any given regulatory agency may make major shifts in policy from time to time. There is no assurance that regulatory authorities will, in the future, grant rate increases or that such increases will be adequate to permit the payment of dividends on preferred or common stocks. Additionally, existing and possible future regulatory legislation may make it even more difficult for these utilities to obtain adequate relief. Certain of the issuers of securities held in a Fund's portfolio may own or operate nuclear generating facilities. Governmental authorities may from time to time review existing policies and impose additional requirements governing the licensing, construction and operation of nuclear power plants. Prolonged changes in climatic conditions can also have a significant impact on both the revenues of an electric and gas utility as well as its expenses.

The nature of regulation of the utility industries is evolving both in the United States and in foreign countries. In recent years, changes in regulation in the United States increasingly have allowed utility companies to provide services and products outside their traditional geographic areas and lines of business, creating new areas of competition within the industries. In some instances, utility companies are operating on an unregulated basis. Because of trends toward deregulation and the evolution of independent power producers as well as new entrants to the field of telecommunications, non-regulated providers of utility services have become a significant part of their respective industries. The emergence of competition and deregulation may result in certain utility companies being able to earn more than their traditional regulated rates of return, while others may be forced to defend their core business from increased competition and may be less profitable. Reduced profitability, as well as new uses of funds (such as for expansion, operations or stock buybacks) could result in cuts in dividend payout rates.

Foreign utility companies are also subject to regulation, although such regulation may or may not be comparable to those in the United States. Foreign utility companies may be more heavily regulated by their respective governments than utilities in the United States and, as in the United States, generally are required to seek government approval for rate increases. In addition, many foreign utilities use fuels that may cause more pollution than those used in the United States, which may require such utilities to invest in pollution control equipment to meet any proposed pollution restrictions. Foreign regulatory systems vary from country to country and may evolve in ways different from regulation in the United States.

Investments in certain utility companies are also subject to certain additional risks.

Electric. Electric utilities consist of companies that are engaged principally in one or more of the following activities: the generation, transmission, sale and distribution of electric energy, although many also provide other energy-related services. In the past, electric utility companies, in general, have been favorably affected by lower fuel and financing costs and the full or near completion of major construction programs. In addition, many of these companies have generated cash flows in excess of current operating expenses and construction expenditures, permitting some degree of diversification into unregulated businesses. Some electric utilities have also taken advantage of the right to sell power outside of their traditional geographic areas. Electric utility companies have historically been subject to the risks associated with increases in fuel and other operating costs, high interest costs on borrowings needed for capital construction programs, costs associated with compliance with environmental and safety regulations and changes in the regulatory climate. As interest rates declined, many utilities refinanced high cost debt and in doing so improved their fixed charges coverage. Regulators, however, lowered allowed rates of return as interest rates declined and thereby caused the benefits of the rate declines to be shared wholly or in part with customers.

The construction and operation of nuclear power facilities are subject to increased scrutiny by, and evolving regulations of, the Nuclear Regulatory Commission and state agencies having comparable jurisdiction. Increased

scrutiny might result in higher operating costs and higher capital expenditures, with the risk that the regulators may disallow inclusion of these costs in rate authorizations or the risk that a company may not be permitted to operate or complete construction of a facility. In addition, operators of nuclear power plants may be subject to significant costs for disposal of nuclear fuel and for decommissioning such plants.

The rating agencies are taking a closer look at the business profile of utilities. Ratings for companies are expected to be impacted to a greater extent in the future by the division of their asset base. Electric utility companies that focus more on the generation of electricity may be assigned less favorable ratings as this business is expected to be competitive and the least regulated. On the other hand, companies that focus on transmission and distribution which is expected to be the least competitive and the more regulated part of the business may see higher ratings given the greater predictability of cash flow.

Currently, several states are considering deregulation proposals, while other states have already enacted enabling legislation. The introduction of competition into the industry as a result of deregulation may result in lower revenue, lower credit ratings, increased default risk and lower electric utility security prices. Such increased competition may also cause long-term contracts, which electric utilities previously entered into to buy power, to become stranded assets which have no economic value. Any loss associated with such contracts must be absorbed by ratepayers and investors. In addition, in anticipation of increasing competition, some electric utilities have acquired electric utilities overseas to diversify, enhance earnings and gain experience in operating in a deregulated environment. In some instances, such acquisitions have involved significant borrowings, which have burdened the acquirer's balance sheet. There is no assurance that current deregulation proposals will be adopted. However, deregulation in any form could significantly impact the electric utilities industry.

Following deregulation of the energy markets in certain states, a number of companies have engaged in energy trading and incurred substantial losses. Certain of these energy trading businesses have been accused of employing improper accounting practices and have been required to make significant restatements of their financial results. In addition, several energy companies have been accused of attempting to manipulate the price and availability of energy in certain states.

Telecommunications. The telecommunications industry today includes both traditional telephone companies with a history of broad market coverage and highly regulated businesses, and cable companies, which began as small, lightly regulated businesses focused on limited markets. Today these two historically different businesses are converging in an industry which is trending toward larger, competitive, national and international markets with an emphasis on deregulation. Companies that distribute telephone services and provide access to the telephone networks still comprise the greatest portion of this segment, but non-regulated activities such as cellular telephone services, paging, data processing, equipment retailing, computer software and hardware services are becoming increasingly significant components as well. The presence of unregulated companies in this industry and the entry of traditional telephone companies into unregulated or less regulated businesses provide significant investment opportunities with companies which may increase their earnings at faster rates than had been allowed in traditional regulated businesses. Still, increasing competition, technological innovations and other structural changes could adversely affect the profitability of such utilities and the growth rate of their dividends. Given mergers, certain marketing tests currently underway and proposed legislation and enforcement changes, it is likely that both traditional telephone companies and cable companies will soon provide a greatly expanded range of utility services, including two-way video and informational services to both residential, corporate and governmental customers.

In February 1996, the Telecommunications Act of 1996 (the Act) became law. The Act removed regulatory restrictions on entry that prevented local and long-distance telephone companies and cable television companies from competing against one another. The Act also removed most cable rate controls and allows broadcasters to own more radio and television stations. Litigation concerning the constitutionality of certain major provisions of the Act has slowed the implementation of such provisions.

Gas. Gas transmission companies and gas distribution companies are also undergoing significant changes. In the United States, interstate transmission companies are regulated by the Federal Energy Regulatory Commission, which is reducing its regulation of the industry. Many companies have diversified into oil and gas exploration and development, making returns more sensitive to energy prices. In the recent decade, gas utility companies have been adversely affected by disruptions in the oil industry and have also been affected by increased concentration and competition. Prolonged changes in climatic conditions can also have a significant impact on both the revenues and expenses of a gas utility.

Water. Water supply utilities are companies that collect, purify, distribute and sell water. In the United States and around the world the industry is highly fragmented because most of the water utilities are owned by local authorities. Companies in this industry are generally mature and are experiencing little or no per capita volume growth.

There can be no assurance that the positive developments noted above, including those relating to privatization and changing regulation, will occur or that risk factors other than those noted above will not develop in the future.

*Risks of Securities Linked to the Real Estate Market*

Each Fund may invest in securities of real estate companies; however, because RTU concentrates its assets in the real estate industry, including REITs, an investment in RTU will be significantly impacted by the performance of the real estate market. RTU does not invest in real estate directly, but because of its policy of concentration in the securities of companies in the real estate industry, the Fund also is subject to the risks associated with the direct ownership of real estate. These risks include:

declines in the value of real estate;

risks related to general and local economic conditions;

possible lack of availability of mortgage funds;

overbuilding;

extended vacancies of properties;

increased competition;

increases in property taxes and operating expenses;

changes in zoning laws;

losses due to costs resulting from the clean-up of environmental problems;

liability to third parties for damages resulting from environmental problems;

casualty or condemnation losses;

limitations on rents;

changes in neighborhood values and the appeal of properties to tenants;

changes in interest rates;

financial condition of tenants, buyers and sellers of real estate; and

quality of maintenance, insurance and management services.

Thus, the value of the Fund's common stock may change at different rates compared to the value of shares of a registered investment company with investments in a mix of different industries and will depend on the general condition of the economy. An economic downturn could have a material adverse effect on the real estate markets and on real estate companies in which the Fund invests, which in turn could result in the Fund not achieving its investment objectives.



Real property investments are subject to varying degrees of risk. The yields available from investments in real estate depend on the amount of income and capital appreciation generated by the related properties. Income and real estate values may also be adversely affected by such factors as applicable laws (*e.g.*, Americans with Disabilities Act and tax laws), interest rate levels and the availability of financing. If the properties do not generate sufficient income to meet operating expenses, including, where applicable, debt service, ground lease payments, tenant improvements, third-party leasing commissions and other capital expenditures, the income and ability of the real estate company to make payments of any interest and principal on its debt securities will be adversely affected. In addition, real property may be subject to the quality of credit extended and defaults by borrowers and tenants. The performance of the economy in each of the regions in which the real estate owned by a portfolio company is located affects occupancy, market rental rates and expenses and, consequently, has an impact on the income from such properties and their underlying values. The financial results of major local employers also may have an impact on the cash flow and value of certain properties. In addition, real estate investments are relatively illiquid and, therefore, the ability of real estate companies to vary their portfolios promptly in response to changes in economic or other conditions is limited. A real estate company may also have joint venture investments in certain of its properties and, consequently, its ability to control decisions relating to such properties may be limited.

Real property investments are also subject to risks which are specific to the investment sector or type of property in which the real estate companies are investing. These risks include the following:

**Retail Properties.** Retail properties are affected by the overall health of the applicable economy. A retail property may be adversely affected by the growth of alternative forms of retailing, bankruptcy, decline in drawing power, departure or cessation of operations of an anchor tenant, a shift in consumer demand due to demographic changes, and/or changes in consumer preference (for example, to discount retailers) and spending patterns. A retail property may also be adversely affected if a significant tenant ceases operation at such location, voluntarily or otherwise. Certain tenants at retail properties may be entitled to terminate their leases if an anchor tenant ceases operations at such property.

**Office Properties.** Office properties generally require their owners to expend significant amounts for general capital improvements, tenant improvements and costs of reletting space. In addition, office properties that are not equipped to accommodate the needs of modern businesses may become functionally obsolete and thus noncompetitive. Office properties are affected by the overall health of the economy and other factors such as a down turn in the businesses operated by their tenants, obsolescence and non-competitiveness. The risks of such an adverse effect is increased if the property revenue is dependent on a single tenant or if there is a significant concentration of tenants in a particular business or industry.

**Hotel Properties.** The risks of hotel properties include, among other things, the necessity of a high level of continuing capital expenditures to keep necessary furniture, fixtures and equipment updated, competition from other hotels, increases in operating costs (which increases may not necessarily be offset in the future by increased room rates), dependence on business and commercial travelers and tourism, increases in fuel costs and other expenses of travel, changes to regulation of operating liquor and other licenses, and adverse effects of general and local economic conditions. Due to the fact that hotel rooms are generally rented for short periods of time, hotel properties tend to be more sensitive to adverse economic conditions and competition than many other commercial properties.

Also, hotels may be operated pursuant to franchise, management and operating agreements that may be terminable by the franchiser, the manager or the operator. Contrarily, it may be difficult to terminate an ineffective operator of a hotel property subsequent to a foreclosure of such property.

**Healthcare Properties.** Healthcare properties and healthcare providers are affected by several significant factors, including federal, state and local laws governing licenses, certification, adequacy of care, pharmaceutical distribution, rates, equipment, personnel and other factors regarding operations; continued availability of revenue

from government reimbursement programs (primarily Medicaid and Medicare) and competition in terms of appearance, reputation, quality and cost of care with similar properties on a local and regional basis.

These governmental laws and regulations are subject to frequent and substantial changes resulting from legislation, adoption of rules and regulations, and administrative and judicial interpretations of existing law. Changes may also be applied retroactively and the timing of such changes cannot be predicted. The failure of any healthcare operator to comply with governmental laws and regulations may affect its ability to operate its facility or receive government reimbursement. In addition, in the event that a tenant is in default on its lease, a new operator or purchaser at a foreclosure sale will have to apply in its own right for all relevant licenses if such new operator does not already hold such licenses. There can be no assurance that such new licenses could be obtained, and consequently, there can be no assurance that any healthcare property subject to foreclosure will be disposed of in a timely manner.

Multifamily Properties. The value and successful operation of a multifamily property may be affected by a number of factors such as the location of the property, the ability of management to provide adequate maintenance and insurance, types of services provided by the property, the level of mortgage rates, presence of competing properties, the relocation of tenants to new projects with better amenities, adverse economic conditions in the locale, the amount of rent charged and oversupply of units due to new construction. In addition, multifamily properties may be subject to rent control laws or other laws affecting such properties, which could impact the future cash flows of such properties.

Insurance Issues. Certain of the portfolio companies may, in connection with the issuance of securities, have disclosed that they carry comprehensive liability, fire, flood, earthquake, extended coverage and rental loss insurance with policy specifications, limits and deductibles customarily carried for similar properties. However such insurance is not uniform among the portfolio companies. Moreover, there are certain types of extraordinary losses that may be uninsurable, or not economically insurable. Certain of the properties may be located in areas that are subject to earthquake activity for which insurance may not be maintained. Should a property sustain damage as a result of an earthquake, even if the portfolio company maintains earthquake insurance, the portfolio company may incur substantial losses due to insurance deductibles, co-payments on insured losses or uninsured losses. Should any type of uninsured loss occur, the portfolio company could lose its investment in, and anticipated profits and cash flows from, a number of properties and, as a result, would impact a Fund's investment performance.

Credit Risk. Real estate companies may be highly leveraged and financial covenants may affect the ability of such companies to operate effectively. The portfolio companies are subject to risks normally associated with debt financing. If the principal payments of a real estate company's debt cannot be refinanced, extended or paid with proceeds from other capital transactions, such as new equity capital, the real estate company's cash flow may not be sufficient to repay all maturing debt outstanding. In addition, a portfolio company's obligation to comply with financial covenants, such as debt-to-asset ratios and secured debt-to-total asset ratios, and other contractual obligations may restrict a real estate company's range of operating activity. A portfolio company, therefore, may be limited from incurring additional indebtedness, selling its assets and engaging in mergers or making acquisitions which may be beneficial to the operation of the real estate company.

Environmental Issues. In connection with the ownership (direct or indirect), operation, management and development of real properties that may contain hazardous or toxic substances, a portfolio company may be considered an owner or operator of such properties or as having arranged for the disposal or treatment of hazardous or toxic substances and, therefore, may be potentially liable for removal or remediation costs, as well as certain other costs, including governmental fines and liabilities for injuries to persons and property. The existence of any such material environmental liability could have a material adverse effect on the results of operations and cash flow of any such portfolio company and, as a result, the amount available to make distributions on the shares could be reduced.

*REIT Tax Risk*

REITs are subject to a highly technical and complex set of provisions in the Code. It is possible that a Fund may invest in a real estate company which purports to be a REIT and that the company could fail to qualify as a REIT. In the event of any such unexpected failure to qualify as a REIT, the company would be subject to corporate-level taxation, significantly reducing the return to the Fund on its investment in such company. REITs could possibly fail to qualify for tax free pass-through of income under the Code, or to maintain their exemptions from registration under the 1940 Act. The general risks described above relating to the real estate markets may adversely affect a borrower's or a lessee's ability to meet its obligations to the REIT. In the event of a default by a borrower or lessee, the REIT may experience delays in enforcing its rights as a mortgagee or lessor and may incur substantial costs associated with protecting its investments. In addition, REITs may be affected by changes to the tax laws.

*Common Stock Risk*

Each Fund may invest in equity securities, including common stock. While common stock has historically generated higher average returns than fixed income securities, common stock has also experienced significantly more volatility in those returns. An adverse event, such as an unfavorable earnings report, may depress the value of an issuer's common stock held by a Fund. Also, the price of common stock is sensitive to general movements in the stock market. A drop in the stock market may depress the price of common stock held by a Fund.

*Convertible Securities Risk*

Each Fund may invest in convertible securities. Although to a lesser extent than with non-convertible fixed-income securities, the market value of convertible securities tends to decline as interest rates increase and, conversely, tends to increase as interest rates decline. In addition, because of the conversion feature, the market value of convertible securities tends to vary with fluctuations in the market value of the underlying common stock. A unique feature of convertible securities is that as the market price of the underlying common stock declines, convertible securities tend to trade increasingly on a yield basis, and so may not experience market value declines to the same extent as the underlying common stock. When the market price of the underlying common stock increases, the prices of the convertible securities tend to rise as a reflection of the value of the underlying common stock.

*Foreign Securities Risk*

RTU may invest up to 20% of its managed assets in foreign securities, while UTF is not limited in the amount of its assets that may be invested in foreign securities. In addition, each Fund may invest in foreign securities of issuers in so-called "emerging markets" (or lesser developed countries). Investments in such securities are particularly speculative. Investing in foreign securities involves certain risks not involved in domestic investments, including, but not limited to:

fluctuations in foreign exchange rates;

future foreign economic, financial, political and social developments;

different legal systems;

the possible imposition of exchange controls or other foreign governmental laws or restrictions;

lower trading volume;

much greater volatility and illiquidity of certain foreign securities markets;

different trading and settlement practices;

less governmental supervision;

regulation changes;

changes in currency exchange rates;

less publicly available information about companies due to less rigorous disclosure or accounting standards or regulatory practices;

high and volatile rates of inflation;

fluctuating interest rates; and

different accounting, auditing and financial record-keeping standards and requirements.

Investments in foreign securities, especially in emerging market countries, will expose a Fund to the direct or indirect consequences of political, social or economic changes in the countries that issue the securities or in which the issuers are located. Certain countries in which the Funds may invest, especially emerging market countries, have historically experienced, and may continue to experience, high rates of inflation, high interest rates, exchange rate fluctuations, large amounts of external debt, balance of payments and trade difficulties and extreme poverty and unemployment. Many of these countries are also characterized by political uncertainty and instability. The cost of servicing external debt will generally be adversely affected by rising international interest rates because many external debt obligations bear interest at rates which are adjusted based upon international interest rates. In addition, with respect to certain foreign countries, there is a risk of:

the possibility of expropriation of assets;

confiscatory taxation;

difficulty in obtaining or enforcing a court judgment;

economic, political or social instability;

the possibility that an issuer may not be able to make payments to investors outside of the issuer's country; and

diplomatic developments that could affect investments in those countries.

In addition, individual foreign economies may differ favorably or unfavorably from the U.S. economy in such respects as:

growth of gross domestic product;

rates of inflation;

capital reinvestment;

resources;

self-sufficiency; and

balance of payments position.

Furthermore, certain investments in foreign securities also may be subject to foreign withholding taxes and dividend income a Fund receives from foreign securities may not be eligible for the reduced rates of taxation applicable to qualified dividend income.

Each Fund may invest in securities of issuers located or doing substantial business in emerging markets. RTU may invest up to 10% of its managed assets in emerging market countries, whereas UTF is not limited in the amount of its assets it may invest in such countries. Investing in securities of companies in emerging markets may entail special risks relating to potential political and economic instability and the risks of expropriation, nationalization, confiscation or the imposition of restrictions on foreign investment, the lack of hedging instruments, and on repatriation of capital invested. Emerging securities markets are substantially smaller, less developed, less liquid and more volatile than the major securities markets. The limited size of emerging securities markets and limited trading value compared to the volume of trading in U.S. securities could cause prices to be erratic for reasons apart from factors that affect the quality of the securities. For example, limited market size

may cause prices to be unduly influenced by traders who control large positions. Adverse publicity and investors' perceptions, whether or not based on fundamental analysis, may decrease the value and liquidity of portfolio securities, especially in these markets. Many emerging market countries have experienced substantial, and in some periods extremely high, rates of inflation for many years. Inflation and rapid fluctuations in inflation rates and corresponding currency devaluations have had and may continue to have negative effects on the economies and securities markets of certain emerging market countries. Emerging market countries also may have less reliable custodial services and settlement practices.

As a result of these potential risks, the Investment Manager may determine that, notwithstanding otherwise favorable investment criteria, it may not be practicable or appropriate to invest in a particular country. The Funds may invest in countries in which foreign investors, including the Investment Manager, have had no or limited prior experience.

#### *Foreign Currency Risk*

Although each Fund reports its net asset value ( NAV ) and pays dividends in U.S. dollars, foreign securities often are purchased with, and make interest payments in, foreign currencies. Therefore, when a Fund invests in foreign securities, it is subject to foreign currency risk, which means that the Fund's NAV could decline as a result of changes in the exchange rates between foreign currencies and the U.S. dollar. Certain foreign countries may impose restrictions on the ability of issuers of foreign securities to make payment of principal and interest to investors located outside the country, due to blockage of foreign currency exchanges or otherwise.

#### *Preferred Stock Risk*

In addition to the risks of equity securities, the preferred stocks in which the Funds may invest also are more sensitive to changes in interest rates than common stocks. There also are special risks associated with investing in preferred securities, including:

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

Subordination. Preferred securities are generally subordinated to bonds and other debt instruments in a company's capital structure in terms of having priority to corporate income and liquidation payments, and therefore will be subject to greater credit risk than more senior debt 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, traditional preferred securities offer 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 elect a number of directors to the issuer's board. Generally, once all the arrearages have been paid, the preferred security holders no longer have voting rights. Hybrid-preferred security holders generally have no 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. As with call provisions, a redemption by the issuer may negatively impact the return of the security held by a Fund.

New Types of Securities. From time to time, preferred securities, including hybrid-preferred securities, have been, and may in the future be, offered having features other than those described herein. Each Fund has reserved

the right to invest in these securities if the Investment Manager believes that doing so would be consistent with the Fund's investment objectives and policies. Because the market for these instruments would be new, a Fund may have difficulty disposing of them at a suitable price and time. In addition to limited liquidity, these instruments may present other risks, such as high price volatility.

Financial Services. Companies principally engaged in financial services are prominent issuers of preferred securities and, therefore, a Fund may be susceptible to adverse economic or regulatory occurrences affecting that sector. Investing in the financial services sector includes the following risks:

regulatory actions financial services companies may suffer a setback if regulators change the rules under which they operate;

changes in interest rates unstable interest rates can have a disproportionate effect on the financial services sector;

concentration of loans financial services companies whose securities a Fund may purchase may themselves have concentrated portfolios, such as a high level of loans to real estate developers, which makes them vulnerable to economic conditions that affect that sector; and

competition financial services companies have been affected by increased competition, which could adversely affect the profitability or viability of such companies.

*Lower-Rated Securities Risk*

Each Fund may invest in lower-rated securities, including securities rated below investment grade. Lower-rated securities may be considered speculative with respect to the issuer's continuing ability to make principal and interest payments. Analysis of the creditworthiness of issuers of lower-rated securities may be more complex than for issuers of higher quality debt securities, and a Fund's ability to achieve the Fund's investment objectives may, to the extent the Fund is invested in lower-rated securities, be more dependent upon such creditworthiness analysis than would be the case if the Fund was investing in higher quality securities. An issuer of these securities has a currently identifiable vulnerability to default and the issuer may be in default or there may be present elements of danger with respect to principal or interest. Neither Fund will invest in securities which are in default at the time of purchase. A security will be considered to be investment grade if, at the time of investment, such security has a rating of BBB or higher by S&P, Baa or higher by Moody's or an equivalent rating by a nationally recognized statistical rating agency, or, if unrated, such security is determined by the Investment Manager to be of comparable quality.

Lower-rated securities, or equivalent unrated securities, which are commonly known as junk bonds, generally involve greater volatility of price and risk of loss of income and principal and may be more susceptible to real or perceived adverse economic and competitive industry conditions than higher grade securities. The prices of lower-rated securities have been found to be less sensitive to interest-rate changes than more highly rated investments, but more sensitive to adverse economic downturns or individual corporate developments. Yields on lower-rated securities will fluctuate. If the issuer of lower-rated securities defaults, a Fund may incur additional expenses to seek recovery.

The secondary markets in which lower-rated securities are traded may be less liquid than the market for higher grade securities. Less liquidity in the secondary trading markets could adversely affect the price at which a Fund could sell a particular lower-rated security when necessary to meet liquidity needs or in response to a specific economic event, such as a deterioration in the creditworthiness of the issuer, and could adversely affect and cause large fluctuations in the NAV of the Fund's common stock. Adverse publicity and investor perceptions may decrease the values and liquidity of high yield securities.

It is reasonable to expect that any adverse economic conditions could disrupt the market for lower-rated securities, have an adverse impact on the value of those securities, and adversely affect the ability of the issuers of those securities to repay principal and pay interest on those securities. New laws and proposed new laws may adversely impact the market for lower-rated securities.



*Interest Rate Risk*

Interest rate risk is the risk that fixed-income securities, such as preferred and debt securities, and to a lesser extent dividend-paying common stocks, will decline in value because of changes in market interest rates. When market interest rates rise, the market value of such securities generally will fall.

During periods of declining interest rates, an issuer may be able to exercise an option to prepay principal earlier than scheduled which is generally known as call or prepayment risk. If this occurs, a Fund may be forced to reinvest in lower yielding securities. This is known as reinvestment risk. Preferred and debt securities frequently have call features that allow the issuer to repurchase the security prior to its stated maturity. An issuer may redeem an obligation if the issuer can refinance the debt at a lower cost due to declining interest rates or an improvement in the credit standing of the issuer. During periods of rising interest rates, the average life of certain types of securities may be extended because of slower than expected principal payments. This may lock in a below market interest rate, increase the security's duration and reduce the value of the security. This is known as extension risk. Market interest rates for investment grade fixed-income securities in which a Fund will invest have recently declined significantly below the recent historical average rates for such securities. This decline may have increased the risk that these rates will rise in the future (which would cause the value of a Fund's net assets to decline) and the degree to which asset values may decline in such events; however, historical interest rate levels are not necessarily predictive of future interest rate levels.

*Tax Risk*

Each Fund's investment program and the tax treatment of Fund distributions may be affected by Internal Revenue Service (IRS) interpretations of the Code and future changes in tax laws and regulations. In particular, the provisions that currently apply to the favorable tax treatment of qualified dividend income are scheduled to expire for taxable years beginning after December 31, 2010 unless future legislation is passed to extend the effective date of those provisions. There can be no assurance of what portion, if any, of a Fund's distributions will be entitled to the lower tax rates that apply to qualified dividend income. In addition, each Fund may invest in preferred securities or other securities the federal income tax treatment of which may not be clear or may be subject to recharacterization by the IRS. It could be more difficult for a Fund to comply with the tax requirements applicable to regulated investment companies if the tax characterization of the Fund's investments or the tax treatment of the income from such investments were successfully challenged by the IRS.

*Derivatives Transactions Risk*

Derivatives Transactions can be highly volatile and involve various types and degrees of risk, depending upon the characteristics of the particular derivative, including the imperfect correlation between the value of such instruments and the underlying assets, the possible default of the other party to the transaction and illiquidity of the derivative instruments. Derivatives Transactions may entail investment exposures that are greater than their cost would suggest, meaning that a small investment in derivatives could have a large potential impact on a Fund's performance, effecting a form of investment leverage on the Fund's portfolio. In certain types of Derivatives Transactions a Fund could lose the entire amount of its investment; in other types of Derivatives Transactions the potential loss is theoretically unlimited.

The market for many derivatives is, or suddenly can become, illiquid. Changes in liquidity may result in significant, rapid and unpredictable changes in the prices for Derivatives Transactions. A Fund could experience losses if it were unable to liquidate its position because of an illiquid secondary market. Successful use of Derivatives Transactions also is subject to the ability of the Investment Manager to predict correctly movements in the direction of the relevant market and, to the extent the transaction is entered into for hedging purposes, to ascertain the appropriate correlation between the transaction being hedged and the price movements of the derivatives. Derivatives Transactions entered into to seek to manage the risks of a Fund's portfolio of securities may have the effect of limiting gains from otherwise favorable market movements. The use of Derivatives Transactions may result in losses greater than if they had not been used (and a loss on a Derivatives Transaction

position may be larger than the gain in a portfolio position being hedged), may require a Fund to sell or purchase portfolio securities at inopportune times or for prices other than current market values, may limit the amount of appreciation the Fund can realize on an investment, or may cause the Fund to hold a security that it might otherwise sell. Amounts paid by a Fund as premiums and cash or other assets held as collateral with respect to Derivatives Transactions may not otherwise be available to the Fund for investment purposes.

The use of currency transactions can result in a Fund incurring losses as a result of the imposition of exchange controls, political developments, government intervention or failure to intervene, suspension of settlements or the inability of the Fund to deliver or receive a specified currency.

Structured notes and other related instruments carry risks similar to those of more traditional derivatives such as futures, forward and option contracts. However, structured instruments may entail a greater degree of market risk and volatility than other types of debt obligations.

A Fund will be subject to credit risk with respect to the counterparties to certain Derivatives Transactions entered into by the Fund. Derivatives may be purchased on established exchanges or through privately negotiated transactions referred to as over-the-counter ( OTC ) derivatives. Exchange-traded derivatives generally are guaranteed by the clearing agency which is the issuer or counterparty to such derivatives. However, many futures exchanges and boards of trade limit the amount of fluctuation permitted in futures contract prices during a single trading day and once the daily limit has been reached in a particular contract no trades may be made that day at a price beyond that limit or trading may be suspended. There also is no assurance that sufficient trading interest to create a liquid secondary market on an exchange will exist at any particular time and no such secondary market may exist or may cease to exist. Each party to an OTC derivative bears the risk that the counterparty will default. OTC derivatives are less liquid than exchange-traded derivatives because the other party to the transaction may be the only investor with sufficient understanding of the derivative to be interested in bidding for it. If a counterparty becomes bankrupt or otherwise fails to perform its obligations under a derivative contract due to financial difficulties, a 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.

Each Fund will not be a commodity pool (i.e., a pooled investment vehicle which trades in commodity futures contracts and options thereon and the operator of which is registered with the Commodity Futures Trading Commission). In addition, each Fund has claimed an exclusion from the definition of commodity pool operator and, therefore, is not subject to registration or regulation as a pool operator under the Commodity Exchange Act.

A Fund will be subject to credit risk with respect to the counterparties to certain Derivatives Transactions entered into by the Fund. Derivatives may be purchased on established exchanges or through privately negotiated transactions referred to as over-the-counter ( OTC ) derivatives. Exchange-traded derivatives generally are guaranteed by the clearing agency which is the issuer or counterparty to such derivatives. Each party to an OTC derivative bears the risk that the counterparty will default. OTC derivatives are less liquid than exchange-traded derivatives because the other party to the transaction may be the only investor with sufficient understanding of the derivative to be interested in bidding for it. If a counterparty becomes bankrupt or otherwise fails to perform its obligations under a derivative contract due to financial difficulties, a Fund may experience significant delays in obtaining any recovery under the derivative contract in bankruptcy or other reorganization proceeding. A Fund may obtain only a limited recovery or may obtain no recovery in such circumstances.

#### *Restricted and Illiquid Securities Risk*

Illiquid securities are securities that are not readily marketable and may include some restricted securities, which are securities that may not be resold to the public without an effective registration statement under the Securities Act or, if they are unregistered, may be sold only in a privately negotiated transaction or pursuant to an

exemption from registration. Illiquid investments involve the risk that the securities will not be able to be sold at the time desired by a Fund or at prices approximating the value at which the Fund is carrying the securities on its books.

Restricted securities may be sold only in privately negotiated transactions or in a public offering with respect to which a registration statement is in effect under the Securities Act. Where registration is required, a Fund may be obligated to pay all or part of the registration expenses and a considerable period may elapse between the time of the decision to sell and the time the Fund may be permitted to sell a security under an effective registration statement. If during such a period adverse market conditions were to develop, the Fund might obtain a less favorable price than that which prevailed when it decided to sell. For purposes of determining a Fund's NAV, illiquid securities will be priced at fair value as determined in good faith by the Board or its delegate.

#### *Leverage Risk*

Each Fund is authorized to use financial leverage as part of its investment strategy. Historically, the Funds engaged in leverage through the issuance of AMPS. Each Fund currently engages in leverage through borrowings. Leverage risk is the risk associated with the borrowing of funds and other investment techniques that increase investment exposure above the amount available from its common stock. Leverage is a speculative technique which will expose a Fund to greater risk and increase its costs. Increases and decreases in the value of a Fund's portfolio will be magnified when the Fund uses leverage. For example, leverage will cause greater swings in the Fund's NAV or cause the Fund to lose more than it invested. A Fund also will generally have to pay interest on its borrowings, reducing the Fund's return. These interest expenses may be greater than the Fund's return on the underlying investment. There is no assurance that a Fund's leveraging strategy will be successful.

When leverage is employed, the NAV and market value of a Fund's common stock will be more volatile, and the yield to common stockholders will tend to fluctuate with changes in the shorter-term interest rates on the leverage. If the interest rate on a Fund's borrowings approaches the net rate of return on the Fund's investment portfolio, the benefit of leverage to common stockholders would be reduced. If the interest rate on a Fund's borrowings exceeds the net rate of return on the Fund's portfolio, the leverage will result in a lower rate of return to common stockholders than if the Fund were not leveraged. The Funds will pay (and common stockholders will bear) any costs and expenses relating to any leverage. Accordingly, the Funds cannot assure you that the use of leverage would result in a higher yield or return to common stockholders.

Any decline in the NAV of a Fund's investments will be borne entirely by common stockholders. Therefore, if the market value of a Fund's portfolio declines, the leverage will result in a greater decrease in NAV to common stockholders than if the Fund were not leveraged. This greater NAV decrease will also tend to cause a greater decline in the market price for the Fund's common stock. A material decline in a Fund's NAV may impair the Fund's ability to maintain required levels of asset coverage pursuant to the requirements of the 1940 Act or the Fund's contractual arrangements with its lender. In such cases, the Fund's current investment income might not be sufficient to meet the interest payments on indebtedness. In order to counteract such an event, a Fund might need to reduce its leverage and to liquidate investments in order to repay its borrowings. Liquidation at times of low security prices may result in capital losses and may reduce returns to common stockholders.

The Funds' borrowings constitute an effective lien on the Funds' common stock by reason of their prior claim against the income of a Fund and against the net assets of the Fund in liquidation. A Fund may not be permitted to declare dividends or other distributions with respect to its common stock, or repurchase its common stock, unless (i) at the time of such declaration or repurchase the Fund meets certain asset coverage requirements and (ii) there is no event of default under any borrowings, that is continuing. In the event of a default under any borrowings, the lenders may have the right to cause a liquidation of the collateral (*i.e.*, sale of portfolio securities) and if any such default is not cured, the lenders may be able to control the liquidation as well.

Each Fund reserves the right at any time, if it believes that market conditions are appropriate, to increase its level of borrowings or other senior securities to maintain or increase the level of leverage to the extent permitted by the 1940 Act and existing agreements between the Fund and third parties. While a Fund may from time to time consider reducing or raising leverage in response to actual or anticipated changes in interest rates in an effort to mitigate the increased volatility of current income and net asset value associated with leverage, there can be no assurance that the Fund will actually reduce or increase leverage in the future or that any reduction or increase, if undertaken, will benefit common stockholders. Changes in the future direction of interest rates are very difficult to predict accurately. If a Fund were to reduce or raise leverage based on a prediction about future changes to interest rates, and that prediction turned out to be incorrect, the reduction or increase in leverage would likely reduce the income and/or total returns to common stockholders relative to the circumstance where the Fund had not reduced or increased leverage. A Fund may decide that this risk outweighs the likelihood of achieving the desired reduction to volatility in income and share price if the prediction were to turn out to be correct, and determine not to reduce or increase leverage as described above.

Because each Fund's management fee paid to the Investment Manager is calculated on the basis of managed assets, the fee will be higher when leverage is utilized, which may provide the Investment Manager an incentive to utilize leverage.

#### *Non-Diversified Status*

Each 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, each Fund intends to conduct its operations so as to qualify as a regulated investment company for purposes of the Code, which generally will relieve the Fund of any liability for federal income tax to the extent its earnings are distributed to stockholders. To so qualify, among other requirements, each Fund limits its investments so that, at the close of each quarter of the taxable year, (i) not more than 25% of the value of its managed assets are invested in the securities (other than U.S. Government securities or the securities of other regulated investment companies) of a single issuer, two or more issuers which the Fund controls and are engaged in the same, similar or related trades or businesses, or the securities of certain publicly traded partnerships, and (ii) at least 50% of the value of its managed assets are invested in cash and cash items, U.S. Government securities, securities of other regulated investment companies and other securities; provided, however, that with respect to such other securities, not more than 5% of the value of its managed assets are invested in the securities of a single issuer and the Fund will not own more than 10% of the outstanding voting securities of a single issuer. Because a Fund, as a non-diversified investment company, may invest in a smaller number of individual issuers than a diversified investment company, an investment in the Fund presents greater risk to you than an investment in a diversified company.

#### *Anti-Takeover Provisions*

Certain provisions of each Fund's charter and By-Laws could have the effect of limiting the ability of other entities or persons to acquire control of the Fund or to modify its structure. The provisions may have the effect of depriving common stockholders of an opportunity to sell their shares at a premium over prevailing market prices and may have the effect of inhibiting conversion of the Fund to an open-end investment company. These include provisions for staggered terms of office for Directors, super-majority voting requirements for merger, consolidation, liquidation, termination and asset sale transactions, amendments to the charter and conversion to open-end status. For additional information about these provisions, see [Description of the Funds' Capital Stock](#) [Special Voting Provisions](#) below.

#### **Investment Restrictions**

The following restrictions, along with each Fund's investment objective(s), are each Fund's only fundamental policies—that is, policies that cannot be changed without the approval of the holders of a majority of the Fund's outstanding voting securities. As used in this Proxy/Prospectus, a majority of the Fund's

outstanding voting securities means the lesser of (i) 67% of the shares represented at a meeting at which more than 50% of the outstanding shares are represented or (ii) more than 50% of the outstanding shares. Non-Fundamental policies may be changed by a Fund's Board without stockholder approval. If a percentage restriction set forth below is adhered to at the time a transaction is effected, later changes in percentage resulting from any cause other than actions by the Fund will not be considered a violation.

*Fundamental Investment Restrictions*

The Funds' fundamental investment restrictions are identical, except with respect to their concentration policies. Neither Fund may, without the approval of the holders of a majority of the Fund's outstanding voting securities:

1. Issue senior securities (including borrowing money for other than temporary purposes) except in conformity with the limits set forth in the 1940 Act; or pledge its assets other than to secure such issuances or borrowings or in connection with permitted investment strategies; provided that, notwithstanding the foregoing, the Fund may borrow up to an additional 5% of its total assets for temporary purposes;
2. Act as an underwriter of securities issued by other persons, except insofar as the Fund may be deemed an underwriter in connection with the disposition of securities;
3. Purchase or sell real estate, mortgages on real estate or commodities, except that the Fund may invest in securities of companies that deal in real estate or are engaged in the real estate business, including REITs, and securities secured by real estate or interests therein and the Fund may hold and sell real estate or mortgages on real estate acquired through default, liquidation, or other distributions of an interest in real estate as a result of the Fund's ownership of such securities;
4. Purchase or sell commodities or commodity futures contracts, except that the Fund may invest in financial futures contracts, options thereon and such similar instruments; or
5. Make loans to other persons except through the lending of securities held by it (but not to exceed a value of one-third of total assets), through the use of repurchase agreements, and by the purchase of debt securities.

In addition, UTF may not invest more than 25% of its managed assets in securities of issuers in any one industry other than the utility industry, with at least 25% of its managed assets being invested in the utility industry. Similarly, RTU may not invest more than 25% of its managed assets in securities of issuers in any one industry other than the real estate and utilities industries, with at least 25% of the Fund's managed assets being invested in each of the real estate and utilities industries. Each of these limitations, however, do not apply to obligations issued or guaranteed by the United States Government or by its agencies or instrumentalities.

Under the 1940 Act, each Fund is not permitted to issue preferred stock unless immediately after the issuance the value of the Fund's assets is at least 200% of the liquidation preference of the outstanding preferred stock (*i.e.*, such liquidation preference may not exceed 50% of the Fund's assets less liabilities other than borrowings). In addition, a Fund is not permitted to declare any cash dividend or other distribution on its shares of common stock unless, at the time of such declaration, the value of the Fund's assets less liabilities other than borrowings is at least 200% of such liquidation preference.

Under the 1940 Act, each Fund generally is not permitted to borrow unless immediately after the borrowing the value of the Fund's assets less liabilities other than the borrowings is at least 300% of the principal amount of such borrowing (*i.e.*, such principal amount may not exceed 33-1/3% of the Fund's assets less liabilities other than borrowings). In addition, a Fund is not permitted to declare any cash dividend or other distribution on its shares of common stock unless, at the time of such declaration, the value of the Fund's assets, less liabilities other than the borrowings, is at least 300% of such principal amount. As noted above, the Funds have received

temporary relief from the SEC from certain provisions of the 1940 Act that permitted the Funds to redeem all of their AMPS outstanding at the time the relief was granted at an asset coverage ratio of 200% instead of 300%. This relief currently is set to expire on October 31, 2010.

*Non-Fundamental Investment Restrictions*

Currently, the Funds may not:

1. Purchase preferred securities and other fixed income securities rated below investment grade and unrated securities of comparable quality, if, as a result, more than 25% of the Fund's managed assets would then be invested in such securities;
2. Acquire or retain securities of any investment company, except that the Fund may (a) acquire securities of investment companies up to the limits permitted by Section 12(d)(1) of the 1940 Act, or any exemption granted under the 1940 Act, and (b) acquire securities of any investment company as part of a merger, consolidation or similar transaction;
3. Invest in oil, gas or other mineral exploration programs, development programs or leases, except that the Fund may purchase securities of companies engaging in whole or in part in such activities; or
4. Pledge, mortgage or hypothecate its assets except in connection with permitted borrowings.

*Portfolio Turnover*

For the fiscal years ended December 31, 2007 and 2008, the Funds' portfolio turnover rates were as follows:

	2007	2008
RTU	22%	39%
UTF	23%	29%

**INFORMATION ABOUT THE PROPOSED MERGER**

**The Agreement and Plan of Merger**

The following is a summary of the material terms and conditions of the Agreement and Plan of Merger entered into between RTU and UTF. This summary is qualified in its entirety by reference to the Agreement and Plan of Merger attached as Appendix A to this Proxy/Prospectus. Under the Agreement and Plan of Merger, RTU will merge with and into UTF on the Closing Date. As a result of the Merger and on the Closing Date:

RTU will no longer exist, and

UTF will be the surviving corporation.

RTU will then:

deregister as an investment company under the 1940 Act,

cease its separate existence under Maryland law,

remove its RTU Common Shares from listing on the NYSE, and

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withdraw from registration under the Securities Exchange Act of 1934, as amended (the 1934 Act ).

Each full (and fractional) outstanding RTU Common Share will be converted into an equivalent dollar amount (to the nearest one tenth of one cent) of full (and fractional) UTF Common Shares, based on the net asset value per share of each of the Funds at 4:00 p.m., Eastern time on the Closing Date. No sales charge or fee of any kind will be charged to holders of RTU Common Shares in connection with their receipt of UTF Common Shares in the Merger.

From and after the Closing Date, UTF will possess all of the properties, assets, rights, privileges and powers, and shall be subject to all of the restrictions, liabilities, obligations, disabilities and duties, of UTF, all as provided under Maryland law.

Under Maryland law, stockholders of a corporation whose shares are traded publicly on a national securities exchange, such as RTU Common Shares and UTF Common Shares, are not entitled to demand the fair value of their shares upon a merger; therefore, the holders of RTU Common Shares and UTF Common Shares will be bound by the terms of the Merger, if approved. However, any holder of RTU Common Shares and UTF Common Shares may sell such shares on the NYSE at any time prior to the Merger.

The Agreement and Plan of Merger may be terminated, and the Merger abandoned, whether before or after approval by the Funds' stockholders, at any time prior to the Closing Date by resolution of either of the Funds' Boards, if circumstances should develop that, in the opinion of that Board, make proceeding with the Merger inadvisable with respect to the Fund it oversees.

Prior to the Merger, RTU shall have, and UTF currently intends to have, declared and paid a dividend or dividends which, together with all such previous dividends, shall have the effect of distributing to its stockholders substantially all of its net investment income that has accrued through the Closing Date, if any, and substantially all of its net capital gain (after reduction for capital loss carryforwards) realized through the Closing Date, if any.

The Agreement and Plan of Merger provides that either Fund may waive compliance with any of the terms or conditions therein for the benefit of that Fund, other than the requirements that: (a) the Agreement and Plan of Merger be approved by stockholders of the Fund; and (b) the Fund receive the opinion of Stroock & Stroock & Lavan LLP substantially to the effect that the transactions contemplated by the Agreement and Plan of Merger will constitute a reorganization for federal income tax purposes if, in the judgment of the Fund's Board, after consultation with Fund counsel, such waiver will not have a material adverse effect on the benefits intended to be provided by the Merger to the stockholders of the Fund.

Under the Agreement and Plan of Merger, each Fund, out of its assets and property, will indemnify and hold harmless the other Fund and the Directors and officers of the other Fund from and against any and all losses, claims, damages, liabilities or expenses (including, without limitation, the payment of reasonable legal fees and reasonable costs of investigation) to which the other Fund and those Directors and officers may become subject, insofar as such loss, claim, damage, liability or expense (or actions with respect thereto) arises out of or is based on (a) any breach by the Fund of any of its representations, warranties, covenants or agreements set forth in the Agreement and Plan of Merger or (b) any act, error, omission, neglect, misstatement, materially misleading statement, breach of duty or other act wrongfully done or attempted to be committed by the Fund or the Directors or officers of the Fund prior to the Closing Date, provided that such indemnification by the Fund is not (i) in violation of any applicable law or (ii) otherwise prohibited as a result of any applicable order or decree issued by any governing regulatory authority or court of competent jurisdiction.

The Board of each Fund, including the Independent Directors, has determined, with respect to its Fund, that the interests of that Fund's stockholders will not be diluted as a result of the Merger and that participation in the Merger is in the best interests of that Fund. All expenses incurred in connection with the Merger will be borne by the Funds in proportion to their respective net assets. Such expenses shall include, but not be limited to, all costs related to the preparation and distribution of this Proxy/Prospectus, proxy solicitation expenses, SEC registration fees and NYSE listing fees.



With respect to each Fund, approval of the Agreement and Plan of Merger will require the affirmative vote of a majority of the outstanding common shares of the Fund. See *Voting Information* below.

### **Reasons for the Merger and Board Considerations**

#### *Board Considerations*

At meetings held on June 2, 2009, June 9-10, 2009, June 17, 2009 and June 29, 2009, the Funds' Boards, including the Independent Directors, considered and, on June 29, 2009, approved, the Agreement and Plan of Merger. In considering the Agreement and Plan of Merger, the Boards did not identify any single factor or information item as all-important or controlling. Following discussions, and based on its evaluation of all material factors to the Funds, including those described below, the Board of each Fund, including the Independent Directors, determined, with respect to its Fund, that: (1) the Merger would be in the best interests of that Fund; and (2) the Merger would not result in the dilution of the interests of the Fund or its stockholders.

In recommending the Merger, each Fund's Board, with the advice of counsel to each Fund's Independent Directors, considered a number of factors, including the following:

the combined Fund is expected to have a lower total annual operating expense ratio than the Fund's total annual operating expense ratio as of April 30, 2009;

the Funds have similar overall investment objectives and are managed by the Investment Manager;

the Fund's expense ratios and information as to specific fees and expenses of the Fund, including management fees, costs of the Fund's leverage strategy and other operating expenses;

the benefits to the Fund and its stockholders that are expected to be derived from the Merger, including the potential for portfolio management efficiencies;

the Merger will not dilute the interests of the Fund's current stockholders;

the federal tax consequences of the Merger to RTU and the holders of RTU Common Shares, including that the Merger has been structured to qualify as a reorganization for federal income tax purposes;

the Fund's significant unused capital loss carryforwards and factors affecting the Fund's and stockholders' ability to utilize available capital loss carryforwards (even in the absence of the Merger);

the combined Fund may have a substantially larger trading market for its common stock than each Fund has currently, which may:

increase liquidity for stockholders;

to the extent that trading discounts may be influenced by demand, reduce the extent of trading discounts that would be experienced in a smaller trading market; and

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create a larger trading market and offer the potential for greater investor and analyst interest as well as reduce trading costs below those incurred if each Fund were managed individually; and

the benefits that may be derived by the Investment Manager and its affiliates as a result of the Merger, including the elimination of duplicative operations and that profitability of the Investment Manager may increase as a result of the expected decline in the Investment Manager's operational expenses for administrative, compliance and portfolio management services.

The Investment Manager may be deemed to have a financial interest in the Merger because of the benefits that may be derived by the Investment Manager and its affiliates as a result of the Merger, including the elimination of duplicative operations and that profitability of the Investment Manager may increase as a result of the expected decline in the Investment Manager's operational expenses for administrative, compliance and portfolio management services.

### Material U.S. Federal Income Tax Consequences

The following is a summary of the material U.S. federal income tax consequences of the Merger applicable to a holder of RTU Common Shares that receives UTF Common Shares in the Merger. This discussion is based upon the Code, Treasury regulations, judicial authorities, published positions of the IRS and other applicable authorities, all as currently in effect and all of which are subject to change or differing interpretations (possibly with retroactive effect). This discussion is limited to U.S. holders (as defined below) that hold their RTU Common Shares as capital assets for U.S. federal income tax purposes (generally, assets held for investment). This discussion does not address all of the tax consequences that may be relevant to a particular holder of RTU Common Shares that are subject to special treatment under federal income tax laws, such as:

stockholders that are not U.S. holders;

financial institutions;

insurance companies;

tax-exempt organizations;

dealers in securities or currencies;

persons whose functional currency is not the U.S. dollar;

traders in securities or other persons that use a mark to market method of accounting;

persons that hold RTU Common Shares as part of a straddle, hedge, constructive sale or conversion transaction; and

persons who acquired their RTU Common Shares through the exercise of an employee stock option or otherwise as compensation.

If a partnership or other entity taxed as a partnership holds RTU Common Shares, the tax treatment of a partner in the partnership generally will depend upon the status and activities of both the partner and the partnership. Partnerships and partners in such a partnership should consult their tax advisors about the tax consequences of the Merger to them.

This discussion does not address the tax consequences of the Merger under state, local or foreign tax laws. No ruling has been or will be obtained from the IRS regarding any matter related to the Merger. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax consequences set forth below.

**Holders of RTU Common Shares are urged to consult with their own tax advisors as to the tax consequences of the Merger in their particular circumstances, including the applicability and effect of the U.S. federal alternative minimum tax and any state, local or foreign and other tax laws and of changes in those laws.**

For purposes of this section, the term "U.S. holder" means a beneficial owner of RTU Common Shares who, for federal income tax purposes, is:

a citizen or resident of the United States;

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a corporation, or other entity properly treated as a corporation for federal income tax purposes, created or organized in or under the laws of the United States or any State or the District of Columbia;

an estate that is subject to federal income tax on its income regardless of its source; or

a trust, the substantial decisions of which are controlled by one or more U.S. persons and which is subject to the primary supervision of a U.S. court, or a trust that validly has elected under applicable Treasury regulations to be treated as a U.S. person for federal income tax purposes.

*Tax Consequences of the Merger Generally*

Assuming that the Merger is completed according to the terms of the Agreement and Plan of Merger and based upon facts, factual representations and assumptions contained in the representation letters provided by the Funds, all of which must continue to be true and accurate in all material respects as of the effective time of the Merger, Stroock & Stroock & Lavan LLP, counsel to the Funds, will render its opinion substantially to the effect that for federal income tax purposes:

- (i) the Merger as provided in the Agreement and Plan of Merger will constitute a reorganization within the meaning of Section 368(a)(1) of the Code and that each Fund will be a party to a reorganization within the meaning of Section 368(b) of the Code;
- (ii) no gain or loss will be recognized to RTU as a result of the Merger and the conversion of RTU Common Shares to UTF Common Shares;
- (iii) no gain or loss will be recognized to UTF as a result of the Merger and the conversion of RTU Common Shares to UTF Common Shares;
- (iv) no gain or loss will be recognized to the stockholders of RTU upon the conversion of their RTU Common Shares to UTF Common Shares;
- (v) the tax basis of RTU assets in the hands of UTF will be the same as the tax basis of such assets in the hands of RTU immediately prior to the consummation of the Merger;
- (vi) immediately after the Merger, the aggregate tax basis of the UTF Common Shares received by each holder of RTU Common Shares in the Merger will be equal to the aggregate tax basis of the RTU Common Shares owned by such stockholder immediately prior to the Merger;
- (vii) a stockholder's holding period for UTF Common Shares will be determined by including the period for which he or she held RTU Common Shares that are converted pursuant to the Merger, provided that such shares of RTU Common Shares were held as capital assets; and
- (viii) UTF's holding period with respect to RTU's assets transferred will include the period for which such assets were held by RTU.

Such opinion will not address the effect of the Merger on (i) the Funds with respect to any asset as to which any unrealized gain or loss is required to be recognized for federal income tax purposes at the end of a taxable year (or on the termination or transfer thereof) under a mark-to-market system of accounting and (ii) any stockholder of RTU that is required to recognize unrealized gains and losses for federal income tax purposes under a mark-to-market system of accounting.

*Reporting Requirements*

A holder of RTU Common Shares who receives UTF Common Shares as a result of the Merger will be required to retain records pertaining to the Merger. Each holder of RTU Common Shares who is required to file a U.S. federal income tax return and who is a significant holder that receives UTF Common Shares in the Merger will be required to file a statement with the holder's U.S. federal income tax return for the year of the Merger setting forth, among other things, such holder's basis in, and the fair market value of, the RTU Common Shares surrendered in the Merger. A significant holder is a holder of RTU Common Shares who, immediately before the Merger, owned at least 5% (by vote or value) of the outstanding stock of RTU.

*Other Tax Considerations*

While the Funds are not aware of any adverse state or local tax consequences of the proposed Merger, they have not requested any ruling or opinion with respect to such consequences, and stockholders should consult their own tax advisor with respect to such matters.

Immediately prior to the Closing Date, RTU, to the extent necessary, will pay, and UTF currently intends to pay, a dividend or dividends which, together with all previous dividends, are intended to have the effect of distributing to its stockholders substantially all of its net investment income that has accrued through the Closing Date, if any, and substantially all of its net capital gain (after reduction for capital loss carryforwards), if any, realized through the Closing Date. Such dividends will be included in the taxable income of the stockholders of the relevant Fund.

*Information Regarding Tax Capital Loss Carryforwards*

UTF will inherit capital loss carryforwards (and unrealized built-in losses) of RTU which will be subject to the limitations described below. RTU has capital loss carryforwards (and unrealized built-in losses) that, in the absence of the Merger, would generally be available to offset their capital gains. If, however, the Merger occurs, then RTU will undergo an ownership change for U.S. federal income tax purposes (because RTU is smaller than UTF) and, accordingly, UTF's use of RTU's capital loss carryforwards (and certain unrealized built-in losses) will be significantly limited by the operation of the tax loss limitation rules of the Code. The Code generally limits the amount of RTU's pre-ownership-change losses that may be used to offset post-ownership-change gains to a specific annual loss limitation amount (generally the product of (i) the fair market value, with certain adjustments, of the stock of RTU immediately prior to the Merger and (ii) a rate established by the IRS (for example, the rate is 4.48% for August 2009)). Subject to certain limitations, any unused portion of these losses may be available in subsequent years.

Due to the operation of these tax loss limitation rules if the Merger occurs, it is possible that stockholders of UTF and RTU will receive taxable distributions earlier than they would have in the absence of the Merger. The actual effect of the loss limitation rules on a stockholder of each of the Funds will, however, depend upon many variables, including (a) whether, in the absence of the Merger, RTU would generate sufficient capital gains against which to utilize its capital loss carryforwards prior to their expiration (and certain realized built-in losses), and whether such capital gains are in excess of what would be the annual loss limitation amount if the Merger occurs, (b) the timing and amount of future capital gains recognized by UTF if the Merger occurs, and (c) the timing of a Fund's stockholder's disposition of his or her shares (the tax basis of which might, depending on the facts, reflect that stockholder's share of either UTF or RTU capital losses). The combination of these factors on the use of loss carryforwards may result in some portion of the loss carryforwards of either of the Funds expiring unused, even in the absence of the Merger. Stockholders of the Funds are urged to consult their own tax advisors in this regard.

**PORTFOLIO SECURITIES**

Because RTU is required by its investment policies to invest at least 25% of its managed assets in equity securities issued by real estate securities and UTF does not focus its investments in real estate securities, the Investment Manager expects to dispose of a substantial portion of RTU's real estate investments in connection with the Merger. It is currently anticipated that if stockholders approve the Merger the Investment Manager would begin selling RTU's real estate investments prior to the Closing Date. As a result, if stockholders approve the Merger, RTU may not be in compliance with its policy to invest at least 25% of its managed assets in real estate companies during the period between the date the Merger is approved and the Closing Date. The tax impact of the sale of these RTU portfolio assets will depend on the difference between the price at which such assets are sold and RTU's tax basis in such assets. Any capital gains recognized in these sales on a net basis, after

the application of any available capital loss carryforwards, will be distributed to RTU's stockholders as capital gain dividends (to the extent of net realized long-term capital gains distributed) and/or ordinary dividends (to the extent of net short-term capital gain) during or with respect to RTU's taxable year that ends on the Closing Date, and such distributions will be taxable to stockholders. As of the date hereof, RTU is not expected to recognize material capital gains as a result of repositioning its portfolio in connection with the Merger. The transaction costs associated with repositioning RTU's portfolio in connection with the Merger will be borne by RTU.

In addition, as described in Proposal 3 below, if Proposal 3 to change UTF's investment objective to facilitate a broader investment focus on infrastructure securities is approved by UTF stockholders, the Investment Manager may dispose of certain utilities investments in connection with repositioning UTF's investment portfolio to an infrastructure focus. The Funds also may buy and sell securities in the normal course of their operations.

## INFORMATION ABOUT MANAGEMENT OF THE FUNDS

### Information About Directors and Officers

#### *Boards of Directors*

The business and affairs of each Fund are managed under the direction of its Board. The Directors approve all significant agreements between the Fund and persons or companies furnishing services to it, including the Fund's agreements with the Investment Manager and the Fund's sub-administrator, custodian and transfer agent. The management of each Fund's day-to-day operations is delegated to its officers and the Investment Manager, subject always to the investment objectives and policies of the Fund and to the general supervision of the Directors.

The Directors of the Funds, their addresses, their ages, the length of time served, their principal occupations for at least the past five years, the number of portfolios they oversee within the Cohen & Steers Fund Complex, and other directorships held by the Director are set forth below. The same individuals serve as the Directors of each Fund.

Name, Address* and Age	Position Held with Fund	Principal Occupation(s) During At Least The Past Five Years (Including Other Directorships Currently Held)		Length of Time Served**	Term of Office	Number of Funds Within Fund Complex Overseen by Director (Including the Funds)
<i>Independent Directors</i>						
Bonnie Cohen*** Age: 66	Director	Consultant. Director, Reis, Inc. (formerly Wellsford Real Property); Vice-Chair of the Board of Global Heritage Fund; Investment Committee, The Moriah Fund; Advisory Committee member, The Posse Foundation; Vice-Chair, District of Columbia Public Libraries; Board member, Washington National Opera. Former Under Secretary of State for Management, United States Department of State, 1996-2000.		Since 2001	2011	21
George Grossman Age: 55	Director	Attorney-at-Law.		Since 1993	2012	21

Name, Address* and Age	Principal Occupation(s) During At				Number of Funds Within Fund Complex Overseen by Director (Including the Funds)
	Position Held with Fund	Least The Past Five Years		Length of Time Served**	
		(Including Other Directorships Currently Held)			
Richard E. Kroon Age: 66	Director	Member of Investment Committee, Monmouth University. Retired Chairman and Managing Partner of Sprout Group venture capital funds, then an affiliate of Donaldson, Lufkin and Jenrette Securities Corporation. Former chairman of the National Venture Capital Association.		Since 2004	2011 21
Richard J. Norman Age: 65	Director	Private Investor. Advisory Board Member of The Salvation Army. Member of the Chaplains Core--DC Department of Corrections. Prior thereto, Investment Representative of Morgan Stanley Dean Witter.		Since 2001	2010 21
Frank K. Ross Age: 65	Director	Professor of Accounting, Howard University. Board member of Pepco Holdings, Inc. (electric utility). Formerly, Midatlantic Area Managing Partner for Audit and Risk Advisory Services at KPMG LLP and Managing Partner of its Washington, DC office.		Since 2004	2010 21
Willard H. Smith Jr. Age: 72	Director	Board member of Essex Property Trust, Inc., Managing Director at Merrill Lynch & Co., Equity Capital Markets Division, from 1983 to 1995.		Since 1996	2011 21
C. Edward Ward, Jr. Age: 62	Director	Member of The Board of Trustees of Manhattan College, Riverdale, New York. Formerly head of closed-end fund listing for the New York Stock Exchange.		Since 2004	2012 21
<i>Interested Directors****</i>					
Martin Cohen Age: 60	Director and Co-Chairman	Co-Chairman and Co-Chief Executive Officer of the Investment Manager and CNS. Prior thereto, President of the Investment Manager.		Since 1991	2010 21
Robert H. Steers Age: 56	Director and Co-Chairman	Co-Chairman and Co-Chief Executive Officer of the Investment Manager and CNS. Prior thereto, President of the Investment Manager.		Since 1991	2012 21

\* The address of each Director is 280 Park Avenue, New York, New York 10017.

\*\* The length of time served represents the year in which the Director was first elected or appointed to any fund in the Cohen & Steers Fund Complex.

\*\*\* Martin Cohen and Bonnie Cohen are unrelated.

\*\*\*\* Interested person, as defined in the 1940 Act, of each Fund ( Interested Director ) because of the affiliation with the Investment Manager and its parent company, Cohen & Steers Inc. ( CNS ).



The Board of each Fund is divided into three classes, having terms of three years each. At each annual meeting of stockholders, the term of one class will expire and Directors will be elected to serve in that class for terms of three years.

The following table provides information concerning the dollar range of equity securities owned beneficially by each Director as of December 31, 2008:

Name of Director	Dollar Range of Equity Securities Owned*		
	RTU	UTF	Aggregate Equity Securities in the Cohen & Steers Fund Complex
Robert H. Steers**	E	A	E
Martin Cohen**	E	A	E
Bonnie Cohen	B	A	D
George Grossman	A	A	D
Richard E. Kroon	B	B	D
Richard J. Norman	C	A	E
Frank K. Ross	A	A	D
Willard H. Smith Jr.	E	E	E
C. Edward Ward, Jr.	B	B	C

\* The dollar ranges are as follows: A = None; B = \$1-\$10,000; C = \$10,001-\$50,000; D = \$50,001-\$100,000; E = Over \$100,000.

\*\* Interested Director.

No Independent Director of the Funds, nor any of their immediate family members, to the best of the Funds' knowledge, had any interest in the Investment Manager, or any person or entity (other than the Funds) directly or indirectly controlling, controlled by or under common control with the Investment Manager as of December 31, 2008.

During the Funds' fiscal years ended December 31, 2008, the Boards of RTU and UTF met 22 and 21 times, respectively. Each Director attended at least 75% of the aggregate number of meetings of each Board and the Committees of the Board for which he or she was a member. The Funds do not have policies with regard to the Directors' attendance at annual meetings, and none of the Directors attended any Fund's 2009 annual meeting of stockholders.

#### *Committees of the Boards*

Each Fund maintains four standing Board Committees: the Audit Committee, the Nominating Committee, the Contract Review Committee and the Governance Committee of the Board of Directors. Each Committee operates pursuant to a written charter adopted by the Board. The Directors serving on each Committee are Independent Directors and otherwise satisfy the applicable standards for independence of a committee member of an investment company issuer under the federal securities laws and under applicable listing standards of the NYSE. The members of the Audit Committee are Ms. Cohen and Messrs. Ross, Kroon and Grossman. The members of the Nominating and Contract Review Committees are Ms. Cohen and Messrs. Kroon, Grossman, Norman, Ross, Smith and Ward. The members of the Governance Committee are Messrs. Norman, Ward and Smith.

The Audit Committee of each Fund met five times during the fiscal year ended December 31, 2008. The main function of each Audit Committee is to oversee the Fund's accounting and financial reporting policies and practices and its internal controls, including by assisting with the Board's oversight of the integrity of the Fund's financial statements, the Fund's compliance with legal and regulatory requirements, the selection, retention, qualifications and independence of the Fund's independent registered public accounting firm and the performance of the Fund's internal control systems and independent registered public accounting firm.

The Nominating Committee of each Fund met once during the fiscal year ended December 31, 2008. The main functions of each Nominating Committee are to (i) identify individuals qualified to become Directors in the event that a position is vacated or created, (ii) select the Director nominees for the next annual meeting of stockholders and (iii) set any necessary standards or qualifications for service on the Board. The Nominating Committee will consider Director candidates recommended by stockholders, provided that any such stockholder recommendation is submitted in writing to the Fund, to the attention of the Secretary, at the address of the principal executive offices of the Fund and further provided that such recommendation includes all other information specified in the charter and complies with the procedures set forth in the Nominating Committee charter. The Nominating Committee requires that Director candidates have a college degree or equivalent business experience. The Committee may take into account a wide variety of factors in considering Director candidates, including (but not limited to): (i) availability and commitment of a candidate to attend meetings and perform his or her responsibilities on the Board, (ii) relevant industry and related experience, (iii) educational background, (iv) financial and other relevant experience, (v) an assessment of the candidate's character, integrity, ability and judgment, (vi) whether or not the candidate serves on boards of, or is otherwise affiliated with, competing financial service organizations or their related mutual fund complexes, (vii) whether or not the candidate has any relationships that might impair his or her independence and (viii) overall interplay of a candidate's experience, skill and knowledge with that of other Committee members. In identifying potential nominees for the Board, the Committee may consider candidates recommended by one or more of the following sources: (i) the Fund's current Directors, (ii) the Fund's officers, (iii) the Investment Manager, (iv) the Fund's stockholders (see above) and (v) any other source the Committee deems to be appropriate. The Committee may, but is not required to, retain a third party search firm at the Fund's expense to identify potential candidates.

The Contract Review Committee of each Fund met once during the fiscal year ended December 31, 2008. The main functions of each Contract Review Committee are to make recommendations to the Board of Directors after reviewing advisory and other contracts that the Fund has with the Investment Manager and to select third parties to provide evaluative reports and other information to the Board regarding the services provided by the Investment Manager.

The Governance Committee of each Fund met four times during the fiscal year ended December 31, 2008. The main function of each Governance Committee is to assist the Board in the oversight of appropriate and effective governance of the Fund. The Governance Committee oversees, among other things, the structure and composition of the Board Committees, the size of the Board and the compensation of Independent Directors for service on the Board and any Board Committee and the process for securing insurance coverage for the Board.

#### *Officers of the Funds*

The principal officers of the Funds and their principal occupations during at least the past five years, as reported by them to the Funds, are set forth below. The address of each of the Funds' officers is 280 Park Avenue, New York, New York 10017.

#### Both Funds

*Robert H. Steers* and *Martin Cohen*, Co-Chairmen of the Board (see above, "Boards of Directors" for biographical information).

*Adam M. Derechin*, President and Chief Executive Officer, age 44, joined the Investment Manager in 1993. He has been the Chief Operating Officer of the Investment Manager since 2003 and prior to that was a Senior Vice President.

*Joseph M. Harvey*, Vice President, age 45, joined the Investment Manager in 1992. He has been President and Chief Investment Officer of the Investment Manager since 2003 and prior to that was a Senior Vice President.

*Francis C. Poli*, Secretary, age 46, joined the Investment Manager in 2007 as Executive Vice President, Secretary and General Counsel. Prior thereto, he was General Counsel of Allianz Global Investors of America LP.

*James Giallanza*, Treasurer and Chief Financial Officer, age 43, joined the Investment Manager in 2006 as Senior Vice President. Prior thereto, he was Deputy Head of US Funds Administration and Treasurer and Chief Financial Officer of various mutual funds within the Legg Mason (formerly Citigroup Asset Management) fund complex.

*Lisa Phelan*, Chief Compliance Officer, age 40, joined the Investment Manager in 2004 as a Vice President and has been a Senior Vice President since 2008. Prior to joining the Investment Manager, she was Chief Compliance Officer of Avatar Associates and Overture Asset Managers.

*William F. Scapell*, Vice President, age 42, joined the Investment Manager in 2003 as a Senior Vice President. Prior to joining the Investment Manager, he was the chief strategist for preferred securities at Merrill Lynch & Co.

*Robert Becker*, Vice President, age 39, joined the Investment Manager in 2003 as a Senior Vice President. Prior to joining the Investment Manager, he was a co-portfolio manager of the Franklin Utilities Fund at Franklin Templeton Investments.

*Yigal D. Jhirad*, Vice President, age 44, joined the Investment Manager in 2007 as a Senior Vice President. Prior thereto, he served as Executive Director at Morgan Stanley heading the portfolio and derivatives strategies effort.

RTU only

*Thomas N. Bohjalian*, Vice President, age 43, joined the Investment Manager in 2002 and has been Senior Vice President since 2006. Prior to that, he was Vice President of the Investment Manager from 2003 through 2005.

*Director Compensation*

Independent Directors are paid by each Fund an annual retainer of \$4,500 and a fee of \$500 for each regular meeting attended and are reimbursed for the expenses of attendance at such meetings. Additionally, the Audit Committee Chairman is paid \$15,000 per year in the aggregate for his service as Chairman of the Audit Committee of the Funds and of all of the Cohen & Steers funds, the Contract Review and Governance Committee Chairmen are each paid \$10,000 per year in the aggregate for their work in connection with the Funds and of all of the Cohen & Steers funds and the lead director is paid \$50,000 per year in the aggregate for his service as lead director of all of the Cohen & Steers funds. For the fiscal year ended December 31, 2008, such fees and expenses paid by each Fund totaled \$50,078.

The following table sets forth information regarding compensation of Directors by each Fund for the fiscal year ended December 31, 2008 and by the Cohen & Steers Fund Complex for the calendar year ended December 31, 2008. Officers of the Funds, other than the Chief Compliance Officer, who receives less than \$60,000 from each Fund, and Interested Directors do not receive any compensation from the Funds or any fund in the Cohen & Steers Fund Complex. In the column headed Total Compensation to Directors by Fund Complex, the compensation paid to each Director represents the 22 funds that each Director served in the Cohen & Steers Fund Complex during 2008. The Directors do not receive any pension or retirement benefits from the Cohen & Steers Fund Complex.

Name of Person, Position	Aggregate Compensation From Each Fund	Total Compensation Paid to Directors by Fund Complex*
Bonnie Cohen, Director	\$ 6,577	\$ 138,125
Martin Cohen**, Director and Co-Chairman	\$ 0	\$ 0
George Grossman, Director and Contract Review Committee Chairman	\$ 7,048	\$ 148,125
Richard E. Kroon, Director and Lead Independent Director	\$ 8,931	\$ 188,125
Richard J. Norman, Director and Governance Committee Chairman	\$ 7,048	\$ 148,125
Frank K. Ross, Director and Audit Committee Chairman	\$ 7,284	\$ 153,125
Willard H. Smith Jr., Director	\$ 6,577	\$ 138,125
Robert H. Steers**, Director and Co-Chairman	\$ 0	\$ 0
C. Edward Ward, Jr., Director	\$ 6,577	\$ 138,125

\* As of April 30, 2008, one of the Cohen & Steers open-end funds was liquidated, resulting in 21 funds remaining in the Cohen & Steers Fund Complex as of December 31, 2008.

\*\* Interested Director.

#### Investment Manager

Cohen & Steers Capital Management, Inc., with principal offices located at 280 Park Avenue, New York, New York 10017, has been retained to provide investment advice, and, in general, to conduct the management and investment program of each Fund under the overall supervision and control of the Board. The Investment Manager, a registered investment adviser, was formed in 1986, and as of June 30, 2009 had \$16.3 billion of assets under management. Its clients include pension plans, endowment funds and registered investment companies, including open-end and closed-end real estate funds. The Cohen & Steers funds invest in U.S. and non-U.S. real estate investment trusts and other real estate securities, infrastructure securities, preferred and other fixed income securities and dividend paying large-cap value securities. The Investment Manager is a wholly-owned subsidiary of Cohen & Steers, Inc., a publicly traded company whose common stock is listed on the NYSE under the symbol CNS.

Under its Investment Management Agreement with each Fund (each, an Investment Management Agreement), the Investment Manager furnishes a continuous investment program for the Fund's portfolio, makes the day-to-day investment decisions for the Fund, and generally manages the Fund's investments in accordance with the stated policies of the Fund, subject to the general supervision of the Board of Directors of the Fund. The Investment Manager also performs certain administrative services for the Fund and provides persons satisfactory to the Directors of the Fund to serve as officers of the Fund. Such officers, as well as certain other employees and Directors of the Fund, may be directors, officers or employees of the Investment Manager.

The Funds' Investment Management Agreements provide for management fees to the Investment Manager to be paid by each Fund at the rate of 0.85% of the Fund's average daily managed assets. During the fiscal year ended December 31, 2008, each Fund paid management fees to the Investment Manager at the effective rate 0.65% of the Fund's average daily managed assets. In addition to its monthly management fee, each Fund pays all other costs and expenses of its operations, including compensation of its Directors, custodian, transfer agency

and dividend disbursing expenses, legal fees, expenses of independent accountants, listing expenses, expenses of preparing, printing and distributing stockholder reports, notices, proxy statements and reports to governmental agencies, and taxes, if any.

For the fiscal years ended December 31, 2006, 2007 and 2008, the Funds paid the Investment Manager management fees as follows:

	Gross Fee	Amount Waived	Net Fee Paid
<b>2006</b>			
RTU	\$ 17,463,815	\$ 4,109,133	\$ 13,354,682
UTF	\$ 14,213,028	\$ 3,344,242	\$ 10,868,786
<b>2007</b>			
RTU	\$ 19,026,873	\$ 4,476,911	\$ 14,549,962
UTF	\$ 16,584,670	\$ 3,902,275	\$ 12,682,395
<b>2008</b>			
RTU	\$ 14,744,195	\$ 3,469,222	\$ 11,274,973
UTF	\$ 13,426,409	\$ 3,159,155	\$ 10,267,254

The Investment Manager contractually agreed to waive a portion of its investment management fee for each of the Funds, as follows:

RTU: 0.15% of average daily managed asset value for the twelve-month period ending January 31, 2010, 0.10% of average daily managed asset value for the twelve-month period ending January 31, 2011 and 0.05% of average daily managed asset value for the twelve-month period ended January 31, 2012. For the fiscal years ended or ending December 31, 2008 and 2009, the Investment Manager waived or will waive its fee at the annual rate of 0.20% and 0.15%, respectively.

UTF: 0.15% of average daily managed asset value for the twelve-month period ending March 31, 2010, 0.10% of average daily managed asset value for the twelve-month period ending March 31, 2011 and 0.05% of average daily managed asset value for the twelve-month period ended March 31, 2012. For the fiscal years ended or ending December 31, 2008 and 2009, the Investment Manager waived or will waive its fee at the annual rate of 0.20% and 0.15%, respectively.

Additional information about the factors considered by the Board of each Fund in approving its Investment Management Agreement is contained in each Fund's Annual Report to Stockholders for the fiscal year ended December 31, 2008.

Each Fund also has entered into an administration agreement with the Investment Manager (each, an Administration Agreement), under which the Investment Manager performs certain administrative functions for the Fund and receives a fee, accrued daily and paid monthly, at the annual rate of 0.06% of the Fund's average daily managed assets up to \$1 billion, 0.04% of the Fund's average daily managed assets in excess of \$1 billion up to \$1.5 billion and 0.02% of the Fund's average daily managed assets in excess of \$1.5 billion. For the fiscal years ended December 31, 2008, 2007 and 2006, RTU paid the Investment Manager \$818,923, \$947,691 and \$910,913, respectively, and UTF paid the Investment Manager \$791,150, \$890,228 and \$834,424, respectively, in fees under the Administration Agreements. Additionally, each Fund pays State Street Bank and Trust Company as sub-administrator under a fund accounting and administration agreement.

It is the intention of the Investment Manager to propose to UTF's Board the appointment of Cohen & Steers Europe S.A., Cohen & Steers Asia Limited and Cohen & Steers UK Limited as sub-investment advisers (the Subadvisers) for UTF, to take effect upon approval of Proposal 3 by UTF stockholders. Each of the Subadvisers is a direct or indirect wholly-owned subsidiary of the Investment Manager's parent company, CNS.

References in this Proxy/Prospectus to activities and responsibilities of the Investment Manager with respect to UTF may be performed by one or more of the Subadvisers. Appointment of the Subadvisers will not be subject to approval by UTF stockholders, in reliance on the issuance of an opinion from Fund counsel. Information about the factors considered by UTF's Board in approving sub-investment advisory agreements with the Subadvisers will be included in the UTF's Annual Report to Stockholders for the fiscal year ending December 31, 2009.

### **Codes of Ethics**

Each Fund and the Investment Manager have adopted codes of ethics under Rule 17j-1 under the 1940 Act. The code of ethics of each Fund and the Investment Manager, among other things, prohibits management personnel from investing in REITs and real estate securities, preferred securities and initial public offerings and requires pre-approval for investments in Cohen & Steers closed-end funds and private placements. In addition, the Funds' Independent Directors are prohibited from purchasing or selling any security if they knew or reasonably should have known at the time of the transaction that the security is being considered for purchase or sale by a Fund, or is being purchased or sold by a Fund. These codes of ethics can be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. (information on the Public Reference Room can be obtained by calling the SEC at (202) 551-5850), are available on the EDGAR Database on the SEC's website at [www.sec.gov](http://www.sec.gov), and copies may be obtained, after paying a duplicating fee, by electronic request at [publicinfo@sec.gov](mailto:publicinfo@sec.gov) or writing the SEC at Public Reference Section, Securities and Exchange Commission, 100 F Street, N.E., Washington, D.C. 20549.

### **Proxy Voting Policies**

Each Fund's Board has delegated the responsibility for voting proxies on behalf of the Fund to the Investment Manager. The Investment Manager's Proxy Voting Policy is attached to the Proxy/Prospectus as Appendix B. In addition, each Fund's proxy voting record for the most recent 12-month period ended June 30 is available (i) without charge, upon request, by calling (800) 330-7348 or (ii) on the SEC's website at [www.sec.gov](http://www.sec.gov).

### **Portfolio Managers of the Funds**

Below is summary information for the Funds' portfolio managers. Messrs. Cohen, Steers, Harvey, Scapell, Becker and Bohjalian are the primary portfolio managers for RTU. Mr. Becker and Mr. Scapell serve as the primary portfolio managers for UTF.

*Martin Cohen and Robert H. Steers*, portfolio managers since inception (see above, [Boards of Directors](#) for biographical information).

*Joseph Harvey*, portfolio manager since 2004 (see above, [Officers of the Funds](#) for biographical information).

*William F. Scapell*, portfolio manager since inception (see above, [Officers of the Funds](#) for biographical information).

*Robert Becker*, portfolio manager since inception (see above, [Officers of the Funds](#) for biographical information).

*Thomas N. Bohjalian*, portfolio manager since 2006 (see above, [Officers of the Funds](#) for biographical information).

#### *Other Accounts Managed by Portfolio Managers*

Each portfolio manager manages other investment companies and/or investment vehicles and accounts in addition to the Funds. The following tables show, as of December 31, 2008, the number of accounts (including

the Funds) each portfolio manager managed in each of the listed categories and the total assets in the accounts managed within each category. The portfolio managers do not receive performance-based fees with respect to any of the registered investment companies, other pooled investment vehicles or other accounts that they manage.

Martin Cohen (RTU only)

	Number of Accounts	Total Assets
Registered investment companies	19	\$ 7,386,803,000
Other pooled investment vehicles	25	\$ 3,338,400,000
Other accounts	46	\$ 2,195,704,000

Robert Steers (RTU only)

	Number of Accounts	Total Assets
Registered investment companies	19	\$ 7,386,803,000
Other pooled investment vehicles	25	\$ 3,338,400,000
Other accounts	46	\$ 2,195,704,000

Joseph Harvey (RTU only)

	Number of Accounts	Total Assets
Registered investment companies	19	\$ 7,386,803,000
Other pooled investment vehicles	25	\$ 3,338,400,000
Other accounts	46	\$ 2,195,704,000

William F. Scapell (both Funds)

	Number of Accounts	Total Assets
Registered investment companies	10	\$ 4,229,569,000
Other pooled investment vehicles	2	\$ 35,810,000
Other accounts	12	\$ 361,679,000

Robert Becker (both Funds)

	Number of Accounts	Total Assets
Registered investment companies	3	\$ 1,912,725,000
Other pooled investment vehicles	0	\$ 0
Other accounts	0	\$ 0

Thomas N. Bohjalian (RTU only)

	Number of Accounts	Total Assets
Registered investment companies	7	\$ 2,823,154,000
Other pooled investment vehicles	2	\$ 35,810,000
Other accounts	7	\$ 205,711,000

It is possible that conflicts of interest may arise in connection with the portfolio managers' management of a Fund's investments on the one hand and the investments of other accounts or vehicles for which the portfolio managers are responsible on the other. For example, a portfolio manager may have conflicts of interest in allocating management time, resources and investment opportunities among the Fund and the other accounts or vehicles he advises. In addition, due to differences in the investment strategies or restrictions among the Fund and the other accounts, a portfolio manager may take action with respect to another account that differs from the





action taken with respect to the Fund. In some cases, another account managed by a portfolio manager may provide more revenue to the Investment Manager. While this may appear to create additional conflicts of interest for the portfolio manager in the allocation of management time, resources and investment opportunities, the Investment Manager strives to ensure that portfolio managers endeavor to exercise their discretion in a manner that is equitable to all interested persons. In this regard, in the absence of specific account-related impediments (such as client-imposed restrictions or lack of available cash), it is the policy of the Investment Manager to allocate investment ideas pro rata to all accounts with the same primary investment objective.

In addition, certain of the portfolio managers may from time to time manage one or more accounts on behalf of the Investment Manager and its affiliated companies (the CNS Accounts). Certain securities held and traded in the CNS Accounts also may be held and traded in one or more client accounts. It is the policy of the Investment Manager however not to put the interests of the CNS Accounts ahead of the interests of client accounts. The Investment Manager may aggregate orders of client accounts with those of the CNS Accounts; however, under no circumstances will preferential treatment be given to the CNS Accounts. For all orders involving the CNS Accounts, purchases or sales will be allocated prior to trade placement, and orders that are only partially filled will be allocated across all accounts in proportion to the shares each account, including the CNS Accounts, was designated to receive prior to trading. As a result, it is expected that the CNS Accounts will receive the same average price as other accounts included in the aggregated order. Shares will not be allocated or re-allocated to the CNS Accounts after trade execution or after the average price is known. In the event so few shares of an order are executed that a pro-rata allocation is not practical, a rotational system of allocation may be used; however, the CNS Accounts will never be part of that rotation or receive shares of a partially filled order other than on a pro-rata basis. Because certain CNS Accounts are managed with a cash management objective, it is possible that a security will be sold out of the CNS Accounts but continue to be held for one or more client accounts. In situations when this occurs, such security will remain in a client account only if the Investment Manager, acting in its reasonable judgment and consistent with its fiduciary duties, believes this is appropriate for, and consistent with the objectives and profile of, the client account.

#### *Compensation Structure of the Investment Manager*

Compensation of the Investment Manager's portfolio managers and other investment professionals has three primary components: (1) a base salary, (2) an annual cash bonus, and (3) annual stock-based compensation consisting generally of restricted stock units of the Investment Manager's parent, CNS. The Investment Manager's investment professionals, including the portfolio managers, also receive certain retirement, insurance and other benefits that are broadly available to all of its employees. Compensation of the Investment Manager's investment professionals is reviewed primarily on an annual basis. Cash bonuses, stock-based compensation awards, and adjustments in base salary are typically paid or put into effect in the January following the fiscal year-end of CNS.

The Investment Manager compensates their portfolio managers based primarily on the scale and complexity of their portfolio responsibilities and the total return performance of managed funds and accounts versus appropriate peer groups or benchmarks. The Investment Manager use a variety of benchmarks to evaluate the portfolio managers' performance, including the NAREIT Equity REIT Index, the S&P 1500 Utilities Index, the Merrill Lynch Fixed Rate Preferred Index, the S&P 500 Index and other broad-based indexes based on the asset classes managed by each portfolio manager. In evaluating the performance of a Fund and its portfolio manager, primary emphasis is normally placed on one- and three-year performance, with secondary consideration of performance over longer periods of time. Performance is evaluated on a pre-tax and pre-expense basis. In addition to rankings within peer groups of funds on the basis of absolute performance, consideration may also be given to risk-adjusted performance. For managers responsible for multiple funds and accounts, investment performance is evaluated on an aggregate basis. Portfolio managers are also evaluated on the basis of their success in managing their dedicated team of analysts. Base compensation for portfolio managers varies in line with the portfolio manager's seniority and position with the firm.

The compensation of portfolio managers with other job responsibilities (such as acting as an executive officer of the Investment Manager or CNS and supervising various departments within the Investment Manager or CNS) will include consideration of the scope of such responsibilities and the managers' performance in meeting them. The Investment Manager seeks to compensate portfolio managers commensurate with their responsibilities and performance, and competitive with other firms within the investment management industry. The Investment Manager participates in investment-industry compensation surveys and utilizes survey data as a factor in determining salary, bonus and stock-based compensation levels for portfolio managers and other investment professionals. Salaries, bonuses and stock-based compensation are also influenced by the operating performance of the Investment Manager and CNS. While the salary of each portfolio manager is fixed, cash bonuses and stock-based compensation may fluctuate significantly from year to year, based on changes in manager performance and other factors as described herein. For a high performing portfolio manager, cash bonuses and stock-based compensation generally are a substantial portion of total compensation.

#### *Portfolio Manager Securities Ownership*

The table below identifies the dollar range of securities beneficially owned by the portfolio managers of each Fund as of December 31 2008.

Name of Portfolio Manager	Dollar Range of Equity Securities Owned*	
	RTU	UTF
Martin Cohen	E	N/A
Robert H. Steers	F	N/A
Joseph Harvey	A	N/A
William F. Scapell	A	A
Robert Becker	A	A
Thomas N. Bohjalian	A	N/A

\* The dollar ranges are as follows: A = None; B = \$1-\$10,000; C = \$10,001-\$50,000; D = \$50,001-\$100,000; E = \$100,001-\$500,000; \$500,001-\$1,000,000; and G = Over \$1,000,000.

#### **ADDITIONAL INFORMATION ABOUT THE FUNDS**

Further information about each Fund is included in its Annual Report to Stockholders for the fiscal year ended December 31, 2008 and Semi-Annual Report to Stockholders for the six month period ended June 30, 2009. Copies of these documents and the SAI related to this Proxy/Prospectus are available upon request and without charge by visiting the Funds' website at [www.cohenandsteers.com](http://www.cohenandsteers.com), by calling 800-330-7348 or by writing to a Fund at 280 Park Avenue, New York, New York 10017.

The Funds are subject to the informational requirements of the 1934 Act and, in accordance therewith, file reports and other information including proxy material, reports and charter documents with the SEC. These reports and other information can be inspected and copied at the public reference facilities at the SEC's Public Reference Room, Washington, D.C. 20549. You may obtain information about the operation of the Public Reference Room by calling the SEC at (202) 551-8090. Reports and other information about each Fund are available on the EDGAR Database on the SEC's website at [www.sec.gov](http://www.sec.gov). You may also obtain copies of this information, after paying a duplication fee, by electronic request at [publicinfo@sec.gov](mailto:publicinfo@sec.gov), or by writing the SEC at Public Reference Section, Securities and Exchange Commission, 100 F Street, N.E., Washington, D.C. 20549 at prescribed rates.

#### **Financial Highlights**

The financial highlights tables are intended to help you understand the performance of each Fund for the last five years or since its inception, whichever is less. Certain information reflects financial results for a single share. Total return represents the rate that a stockholder would have earned (or lost) on a Fund share assuming

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reinvestment of all dividends and distributions. The information in the following tables has been derived from the Funds' financial statements, which have been audited by PricewaterhouseCoopers LLP, independent registered public accounting firm, whose reports, along with the Funds' financial statements, are included in the Funds' annual reports (available upon request).

The following tables include selected data for a share outstanding throughout each year and other performance information derived from the financial statements for each Fund. Each table should be read in conjunction with the relevant Fund's financial statements and the notes thereto.

*Financial Highlights for RTU*

For a share of common stock outstanding throughout each year ended December 31:

Per Share Operating Performance:	2008	For the Year ended December 31,			For the Period
		2007	2006	2005	January 30 2004 <sup>a</sup> through December 31, 2004
Net asset value per common share, beginning of period	\$ 22.13	\$ 25.22	\$ 21.26	\$ 21.51	\$ 19.10
Income from investment operations:					
Net investment income	1.22	1.50	1.43	1.17 <sup>b</sup>	0.90
Net realized and unrealized gain (loss)	(11.91)	(1.85)	5.47	0.57	2.97
Total income (loss) from investment operations	(10.69)	(0.35)	6.90	1.74	3.87
Less dividends and distributions to preferred shareholders from:					
Net investment income	(0.48)	(0.55)	(0.32)	(0.25)	(0.12)
Net realized gain		(0.18)	(0.26)	(0.12)	(0.01)
Total dividends and distributions to preferred shareholders	(0.48)	(0.73)	(0.58)	(0.37)	(0.13)
Total from investment operations applicable to common shares	(11.17)	(1.08)	6.32	1.37	3.74
Less: Offering costs charged to paid-in capital - preferred shares					
		(0.02)	(0.01)	(0.02)	(0.12)
Offering costs charged to paid-in capital - common shares					
					(0.04)
Preferred and common share offering cost adjustment	(0.00) <sup>c</sup>			0.00 <sup>c</sup>	
Total offering costs		(0.02)	(0.01)	(0.02)	(0.16)
Dilutive effect of common share offering					(0.12)
Less dividends and distributions to common shareholders from:					
Net investment income	(0.60)	(0.99)	(1.13)	(0.93)	(0.79)
Net realized gain		(0.33)	(0.87)	(0.46)	(0.03)
Tax return of capital	(1.20)	(0.67)	(0.35)	(0.21)	(0.23)
Total dividends and distributions to common shareholders	(1.80)	(1.99)	(2.35)	(1.60)	(1.05)
Net increase (decrease) in net asset value per common share	(12.97)	(3.09)	3.96	(0.25)	2.41
Net asset value, per common share, end of period	\$ 9.16	\$ 22.13	\$ 25.22	\$ 21.26	\$ 21.51

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Market value, per common share, end of period	\$ 6.36	\$ 20.11	\$ 22.35	\$ 17.66	\$ 18.76
Net asset value total return <sup>d</sup>	52.23%	3.69%	32.65%	7.65%	19.46% <sup>e</sup>
Market value return <sup>d</sup>	63.50%	1.24%	41.52% <sup>e</sup>	2.53%	0.50%

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Ratios/Supplemental Data:	For the Year ended December 31,				For the Period
	2008	2007	2006	2005	January 30 2004 <sup>a</sup> through December 31, 2004
Net assets applicable to common shares, end of period (in millions)	\$ 539.0	\$ 1,302.5	\$ 1,484.3	\$ 1,251.4	\$ 1,266.2
Ratio of expenses to average daily net assets applicable to common shares (before expense reduction) <sup>f</sup>	2.11%	1.60%	1.57%	1.57%	1.49% <sup>g</sup>
Ratio of expenses to average daily net assets applicable to common shares (net of expense reduction) <sup>f</sup>	1.77%	1.29%	1.27%	1.27%	1.21% <sup>g</sup>
Ratio of expenses to average daily net assets applicable to common shares (net of expense reduction and excluding interest expense) <sup>f</sup>	1.74%				
Ratio of net investment income to average daily net assets applicable to common shares (before expense reduction) <sup>f</sup>	6.69%	5.12%	5.47%	5.15%	5.40% <sup>g</sup>
Ratio of net investment income to average daily net assets applicable to common shares (net of expense reduction) <sup>f</sup>	7.04%	5.42%	5.77%	5.45%	5.68% <sup>g</sup>
Ratio of expenses to average daily managed assets (before expense reduction) <sup>f,h</sup>	1.24%	1.04%	1.04%	1.04%	1.04% <sup>g</sup>
Ratio of expenses to average daily managed assets (net of expense reduction) <sup>f,h</sup>	1.04%	0.84%	0.84%	0.84%	0.84% <sup>g</sup>
Portfolio turnover rate	39%	22%	24%	20%	18% <sup>e</sup>
Preferred Shares and Revolving Credit Agreement:					
Liquidation value, end of period (in 000 s)	\$ 325,150	\$ 795,000	\$ 700,000	\$ 645,000	\$ 570,000
Total shares outstanding (in 000 s)	13	32	28	26	23
Asset coverage ratio for revolving credit agreement	4,421%				
Asset coverage per \$1,000 for revolving credit agreement	\$ 44,206				
Asset coverage ratio for auction market preferred shares <sup>i</sup>	256%	264%	312%	294%	322%
Asset coverage per share for auction market preferred shares <sup>i</sup>	\$ 64,000	\$ 65,958	\$ 78,011	\$ 73,504	\$ 80,534
Liquidation preference per share	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Average market value per share <sup>j</sup>	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000

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- a. Commencement of operations.
- b. Calculation based on average shares outstanding.
- c. Amount is less than \$0.005.
- d. Total market value return is computed based upon the New York Stock Exchange market price of the Fund's shares and excludes the effects of brokerage commissions. Total net asset value return measures the changes in value over the period indicated, taking into account dividends as reinvested. Dividends and distributions, if any, are assumed for purposes of these calculations, to be reinvested at prices obtained under the Fund's dividend reinvestment plan.
- e. Not annualized.
- f. Ratios do not reflect dividend payments to preferred shareholders.
- g. Annualized.
- h. Average daily managed assets represent net assets applicable to common shares plus liquidation preference of preferred shares and the outstanding balance of the revolving credit agreement.
- i. Includes the effect of the outstanding borrowings from the revolving credit agreement.
- j. Based on weekly prices.

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Financial Highlights for UTF

For a share of common stock outstanding throughout each year ended December 31:

Per Share Operating Performance:	Year Ended December 31,				For the Period
	2008	2007	2006	2005	March 30, 2004 <sup>a</sup> through December 31, 2004
Net asset value per common share, beginning of period	\$ 29.56	\$ 28.45	\$ 23.95	\$ 22.38	\$ 19.10
Income from investment operations:					
Net investment income	1.48	1.61	1.56	1.42 <sup>b</sup>	0.85 <sup>b</sup>
Net realized and unrealized gain (loss)	(14.94)	3.35	5.13	1.72	3.36
Total income (loss) from investment operations	(13.46)	4.96	6.69	3.14	4.21
Less dividends and distributions to preferred shareholders from:					
Net investment income	(0.53)	(0.40)	(0.51)	(0.37)	(0.12)
Net realized gain		(0.39)	(0.13)	(0.02)	(0.00) <sup>c</sup>
Total dividends and distributions to preferred shareholders	(0.53)	(0.79)	(0.64)	(0.39)	(0.12)
Total from investment operations applicable to common shares	(13.99)	4.17	6.05	2.75	4.09
Less: Preferred share offering cost adjustment	(0.00) <sup>c</sup>		0.00 <sup>c</sup>		
Offering costs charged to paid-in capital common shares					(0.04)
Offering costs charged to paid-in capital preferred shares		(0.02)		(0.02)	(0.14)
Anti-dilutive effect of common share offering					0.05
Total offering costs	(0.00)	(0.02)	0.00	(0.02)	(0.13)
Less dividends and distributions to common shareholders from:					
Net investment income	(0.82)	(1.20)	(1.05)	(1.03)	(0.67)
Net realized gain		(1.12)	(0.28)	(0.04)	(0.01)
Tax return of capital	(1.54)	(0.72)	(0.22)	(0.09)	(0.00) <sup>c</sup>
Total dividends and distributions to common shareholders	(2.36)	(3.04)	(1.55)	(1.16)	(0.68)
Net increase (decrease) in net asset value per common share	(16.35)	1.11	4.50	1.57	3.28
Net asset value, per common share, end of period	\$ 13.21	\$ 29.56	\$ 28.45	\$ 23.95	\$ 22.38
Market value, per common share, end of period	\$ 10.30	\$ 27.50	\$ 24.48	\$ 20.16	\$ 19.82
Net asset value total return <sup>d</sup>	49.17%	15.93%	27.30%	13.16%	21.57% <sup>e</sup>
Market value return <sup>d</sup>	57.40%	25.34%	30.13%	7.55%	2.82% <sup>e</sup>





Ratios/Supplemental Data:	2008	Year Ended December 31,		2005	For the Period
		2007	2006		March 30, 2004 <sup>a</sup>
					through
					December 31, 2004
Net assets applicable to common shares, end of period (in millions)	\$ 572.3	\$ 1,280.7	\$ 1,232.3	\$ 1,037.6	\$ 969.4
Ratio of expenses to average daily net assets applicable to common shares (before expense reduction) <sup>f</sup>	2.00%	1.54%	1.59%	1.55%	1.51% <sup>g</sup>
Ratio of expenses to average daily net assets applicable to common shares (net of expense reduction) <sup>f</sup>	1.68%	1.24%	1.28%	1.26%	1.22% <sup>g</sup>
Ratio of expenses to average daily net assets applicable to common shares (net of expense reduction and excluding interest expense) <sup>f</sup>	1.62%				
Ratio of net investment income to average daily net assets applicable to common shares (before expense reduction) <sup>f</sup>	6.31%	4.67%	5.60%	5.72%	5.33% <sup>g</sup>
Ratio of net investment income to average daily net assets applicable to common shares (net of expense reduction) <sup>f</sup>	6.64%	4.97%	5.90%	6.02%	5.62% <sup>g</sup>
Ratio of expenses to average daily managed assets (before expense reduction) <sup>f,h</sup>	1.24%	1.04%	1.05%	1.05%	1.06% <sup>g</sup>
Ratio of expenses to average daily managed assets (net of expense reduction) <sup>f,h</sup>	1.04%	0.84%	0.85%	0.85%	0.86% <sup>g</sup>
Portfolio turnover rate	29%	23%	15%	23%	14% <sup>e</sup>
Preferred Shares/Revolving Credit Agreement:					
Liquidation value, end of period (in 000 s)	\$ 292,000	\$ 652,000	\$ 567,000	\$ 567,000	\$ 492,000
Total shares outstanding (in 000 s)	12	26	23	23	20
Asset coverage ratio for revolving credit agreement	981%				
Asset coverage per \$1,000 for revolving credit agreement	\$ 9,806	\$	\$	\$	\$
Asset coverage ratio for auction market preferred shares <sup>i</sup>	247%	296%	317%	283%	297%
Asset coverage per share for auction market preferred shares <sup>i</sup>	\$ 61,750	\$ 74,108	\$ 79,335	\$ 70,748	\$ 74,259
Liquidation preference per share	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Average market value per share <sup>j</sup>	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000

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- a. Commencement of operations.
- b. Calculation based on average shares outstanding.
- c. Amount is less than \$0.005.
- d. Total market value return is computed based upon the New York Stock Exchange market price of the Fund's shares and excludes the effects of brokerage commissions. Total net asset value return measures the changes in value over the period indicated, taking into account dividends as reinvested. Dividends and distributions, if any, are assumed for purposes of these calculations, to be reinvested at prices obtained under the Fund's dividend reinvestment plan.
- e. Not annualized.
- f. Ratios do not reflect dividend payments to preferred shareholders.
- g. Annualized.
- h. Average daily managed assets represent net assets applicable to common shares plus liquidation preference of preferred shares and the outstanding balance of the revolving credit agreement.
- i. Includes the effect of the outstanding borrowings from the revolving credit agreement.
- j. Based on weekly prices.

**Past Performance**

As shown in the table below, the performance of UTF, based on NAV, has exceeded that of RTU for 1- and 3-year periods and since each Fund's inception. Each Fund's performance at market price may differ from its results at NAV. Although market price performance generally reflects investment results, it may also be influenced by several factors, including investor perceptions of each Fund or the Investment Manager, supply and demand for each Fund's shares, general market and economic conditions and changes in each Fund's distributions.

Total Returns as of December 31, 2008

	1 Year	3 Years	Since Inception
<b>RTU</b>			
NAV	-52.23%	-15.17%	-4.81% (1.30.04)
Market Price	-63.50%	-20.09%	-12.43% (1.30.04)
<b>UTF</b>			
NAV	-49.17%	-9.14%	0.66% (3.30.04)
Market Price	-57.40%	-11.42%	-5.39% (3.30.04)

**Net Asset Value, Market Price and Premium/Discount**

Common shares of closed-end investment companies, such as the Funds, have frequently traded at a discount from net asset value, or in some cases trade at a premium. Shares of closed-end investment companies, such as the Funds, may tend to trade on the basis of income yield on the market price of the shares, and the market price may also be affected by investor perceptions of each Fund or the Investment Manager, supply and demand for each Fund's shares, general market and economic conditions and changes in each Fund's distributions. As a result, the market price of each Fund's common shares may be greater or less than the net asset value per share. Since the commencement of each Fund's operations, each Fund's shares of common stock have traded in the market at prices that were generally below net asset value per share.

The following tables set forth the high and low sales prices for each Fund's common shares on the NYSE and the high and low net asset value per share for each quarterly period during the last two calendar years and through June 30, 2009. The discount or premium to net asset value per share is at each quarterly period ended during the last two calendar years and through June 30, 2009.

*RTU*

Quarter Ended	Quarterly High Price		Quarterly Low Price		Quarter End Premium/Discount
	NAV Per Share	NYSE Price	NAV Per Share	NYSE Price	
03/31/07	\$ 26.81	\$ 23.30	\$ 24.75	\$ 21.53	-14.12%
06/30/07	\$ 27.45	\$ 23.83	\$ 24.04	\$ 20.95	-12.74%
09/30/07	\$ 25.01	\$ 21.93	\$ 21.39	\$ 18.38	-12.43%
12/31/07	\$ 25.07	\$ 21.96	\$ 22.11	\$ 19.49	-9.13%
03/31/08	\$ 21.90	\$ 20.04	\$ 18.69	\$ 16.51	-12.26%
06/30/08	\$ 21.96	\$ 19.44	\$ 19.39	\$ 17.56	-10.45%
09/30/08	\$ 19.69	\$ 17.72	\$ 15.26	\$ 12.49	-22.54%
12/31/08	\$ 16.01	\$ 13.07	\$ 6.48	\$ 4.87	-30.57%
03/31/09	\$ 9.46	\$ 7.41	\$ 4.77	\$ 3.29	-28.29%
06/30/09	\$ 9.16	\$ 7.27	\$ 6.00	\$ 4.55	-17.29%

UTF

Quarter Ended	Quarterly High Price		Quarterly Low Price		Quarter End Premium/Discount
	NAV Per Share	NYSE Price	NAV Per Share	NYSE Price	
03/31/07	\$ 30.72	\$ 26.22	\$ 27.59	\$ 23.70	-14.38%
06/30/07	\$ 32.75	\$ 28.55	\$ 29.60	\$ 25.91	-12.76%
09/30/07	\$ 31.25	\$ 27.14	\$ 27.60	\$ 23.12	-13.38%
12/31/07	\$ 32.43	\$ 29.14	\$ 29.56	\$ 26.33	-6.97%
03/31/08	\$ 30.34	\$ 28.16	\$ 24.56	\$ 22.49	-8.04%
06/30/08	\$ 28.07	\$ 25.75	\$ 25.57	\$ 23.20	-8.75%
09/30/08	\$ 26.78	\$ 24.61	\$ 17.96	\$ 15.19	-13.73%
12/31/08	\$ 18.52	\$ 16.28	\$ 11.22	\$ 8.24	-22.03%
03/31/09	\$ 13.89	\$ 12.36	\$ 8.77	\$ 6.78	-16.88%
06/30/09	\$ 14.05	\$ 12.14	\$ 10.90	\$ 9.29	-11.19%

On August 14, 2009, each Fund's net asset value per share, closing price on the NYSE and resulting market price premium/discount to net asset value was as follows.

	Net Asset Value Per Share	NYSE Price	Premium/Discount
RTU	\$ 10.62	\$ 8.87	-16.48%
UTF	\$ 15.11	\$ 13.38	-11.45%

UTF Common Shares have recently been trading at a narrower discount than RTU Common Shares. However, the trading discount for UTF Common Shares may change after the issuance of additional UTF Common Shares in the Merger and the resulting increase in supply of UTF Common Shares in the market.

### CAPITALIZATION

The following table sets forth the unaudited capitalization of each Fund as of December 31, 2008, and on a pro forma basis for the combined Fund as of that date as if the proposed Merger had occurred on that date. The pro forma capitalization information is for informational purposes only. No assurance can be given as to how many UTF Common Shares will be received by stockholders of RTU on the Closing Date, and the information should not be relied upon to reflect the number of UTF Common Shares that actually will be received.

The following table sets out the effect of the proposed acquisition of assets at net asset value on a pro forma basis:

#### Pro Forma Combined Capitalization Table

As of December 31, 2008 (Unaudited)

	RTU	UTF	Pro Forma Adjustments	Pro Forma Combined Fund(UTF)
Total Net Assets	\$ 538,969,865	\$ 572,319,689	\$(632,000) <sup>1</sup>	\$ 1,110,657,554
Shares of Common Stock Outstanding	58,858,135	43,320,750	(18,061,700) <sup>2</sup>	84,117,185
Net Asset Value	\$ 9.16	\$ 13.21		\$ 13.20

1. Non-recurring estimated Merger expenses of approximately \$632,000, of which \$300,000 is attributable to RTU and \$332,000 is attributable to UTF.
  2. Reflects adjustment to the number of UTF Common Shares outstanding as a result of the Merger.
- For more information about the Funds' capital stock, see Description of the Funds' Capital Stock.



## PORTFOLIO TRANSACTIONS

Subject to the supervision of the Directors, decisions to buy and sell securities for a Fund and negotiation of its brokerage commission rates are made by the Investment Manager. There is generally no stated commission in the case of securities traded in the over-the-counter market, but the price paid by the Funds usually includes an undisclosed dealer commission or markup. In certain instances, the Funds may make purchases of underwritten issues at prices which include underwriting fees.

In selecting a broker to execute each particular transaction, the Investment Manager will take the following into consideration: the best net price available; the reliability, integrity and financial condition of the broker; the size and difficulty in executing the order; and the value of the expected contribution of the broker to the investment performance of the Fund on a continuing basis. Accordingly, the cost of the brokerage commissions to the Funds in any transaction may be greater than that available from other brokers if the difference is reasonably justified by other aspects of the portfolio execution services offered. Subject to such policies and procedures as the Directors may determine, the Investment Manager shall not be deemed to have acted unlawfully or to have breached any duty solely by reason of its having caused a Fund to pay a broker that provides research services to the Investment Manager an amount of commission for effecting a portfolio investment transaction in excess of the amount of commission another broker would have charged for effecting that transaction, if the Investment Manager determines in good faith that such amount of commission was reasonable in relation to the value of the research service provided by such broker viewed in terms of either that particular transaction or the Investment Manager's ongoing responsibilities with respect to the Fund. Research and investment information is provided by these and other brokers at no cost to the Investment Manager and is available for the benefit of other accounts advised by the Investment Manager and its affiliates, and not all of the information will be used in connection with the Funds. This information may be useful in varying degrees and may tend to reduce the Investment Manager's expenses. The extent to which the Investment Manager makes use of statistical, research and other services furnished by brokers is considered by the Investment Manager in the allocation of brokerage business, but there is no formula by which such business is allocated. The Investment Manager do so in accordance with their judgment of the best interests of each Fund and its stockholders.

## DIVIDENDS AND DISTRIBUTIONS

### Distributions

Each Fund currently intends to make regular quarterly cash distributions to common stockholders based on the current and projected performance of the Fund. The tax treatment and characterization of a Fund's distributions may vary significantly from time to time because of the varied nature of the Fund's investments, and the ultimate tax characterization of a Fund's distributions made in a taxable year cannot be determined finally until after the end of that taxable year.

Over time, each Fund will distribute all of its net investment income. In addition, at least annually, each Fund intends to distribute all of its net realized capital gains, if any, to stockholders. The net income of a Fund consists of all income accrued on portfolio assets less all expenses of the Fund. Expenses of each Fund are accrued each day. At times, the Fund may pay out less than all of its net investment income or pay out accumulated undistributed income, or return capital, in addition to current net investment income. The distributions paid by a Fund for any particular quarterly period may be more or less than the amount of net investment income actually earned by the Fund during the period. Undistributed net investment income will be added to a Fund's net asset value and, correspondingly, distributions from undistributed net investment income will be deducted from the Fund's net asset value. See Taxation.

### *Managed Distribution Policy*

The Funds, the Investment Manager and all of the other closed-end funds managed by the Investment Manager have received exemptive relief from the SEC facilitating the implementation of a distribution policy

that could include distribution of long-term capital gains more frequently than otherwise permitted under the 1940 Act ( Managed Distribution Policy ). Each Fund may, subject to the determination of its Board, implement a Managed Distribution Policy. Under a Managed Distribution Policy, if, for any distribution, net investment income and net realized capital gains were less than the amount of the distribution, the difference would be distributed from a Fund's assets and would constitute a return of capital. The Fund's final distribution for each calendar year would include any remaining net investment income and net realized capital gain undistributed during the year. In the event a Fund distributed in any calendar year amounts in excess of net investment income and net realized capital gain (such excess, the Excess ), such distribution would decrease the Fund's assets and, therefore, have the likely effect of increasing the Fund's expense ratio. There is a risk that the Fund would not eventually realize capital gains in an amount corresponding to a distribution of the Excess. In addition, in order to make such distributions, the Fund may have to sell a portion of its investment portfolio at a time when independent investment judgment might not dictate such action.

A Managed Distribution Policy may require certain distributions that may be deemed a return of capital for tax purposes. For each taxable year, the Excess generally will be treated as a return of capital that is tax-free to the Fund's common stockholders, up to the amount of the stockholder's tax basis in the applicable common shares, with any amounts exceeding such basis treated as gain from the sale of such common shares. In certain instances, a Fund may make distributions exceeding net capital gains for that year (as reduced by capital loss carryforwards) but not exceeding current earnings and profits, in which case those distributions will be taxable as ordinary income even though the Fund could have retained those gains without paying a tax thereon.

There is no guarantee that the a Fund's Board will determine to implement a Managed Distribution Policy. The Boards reserve the right to change the distribution policy from time to time.

A Managed Distribution Policy results in the payment of distributions in approximately the same amount or percentage to stockholders each quarter. If the source of the dividend or other distribution were the original capital contribution of the stockholder, and the payment amounted to a return of capital, a Fund would be required to provide written disclosure to that effect. Nevertheless, stockholders who periodically receive the payment of a dividend or other distribution may be under the impression that they are receiving net income or profits when they are not. Stockholders should read any written disclosure regarding dividends or other distributions carefully, and should not assume that the source of any distribution from their Fund is net income or profits.

#### **Dividend Reinvestment Plans**

Each Fund has a DRIP commonly referred to as an opt-out plan. Each common stockholder who participates in a DRIP has all distributions of dividends and capital gains ( Dividends ) automatically reinvested in additional common shares by The Bank of New York Mellon as agent (the Plan Agent ). Stockholders who elect not to participate in the DRIP will receive all Dividends in cash paid by check mailed directly to the stockholder of record (or if the shares are held in street or other nominee name, then to the nominee) by the Plan Agent, as dividend disbursing agent. Stockholders whose common shares are held in the name of a broker or nominee should contact the broker or nominee to determine whether and how they may participate in the DRIP.

The Plan Agent serves as agent for the stockholders in administering the DRIPs. After a Fund declares a Dividend, the Plan Agent will, as agent for the stockholders, either: (i) receive the cash payment and use it to buy common shares in the open market, on the NYSE or elsewhere, for the participants' accounts or (ii) distribute newly issued common shares of the Fund on behalf of the participants.

The Plan Agent will receive cash from a Fund with which to buy common shares in the open market if, on the Dividend payment date, the NAV per share exceeds the market price per share plus estimated brokerage commissions on that date. The Plan Agent will receive the Dividend in newly issued common shares of the Fund if, on the Dividend payment date, the market price per share plus estimated brokerage commissions equals or

exceeds the NAV per share of the Fund on that date. The number of shares to be issued will be computed at a per share rate equal to the greater of (i) the NAV or (ii) 95% of the closing market price per share on the payment date.

If the market price per share is less than the NAV on a Dividend payment date, the Plan Agent will have until the last business day before the next ex-dividend date for the common stock, but in no event more than 30 days after the Dividend payment date (as the case may be, the Purchase Period), to invest the Dividend amount in shares acquired in open market purchases. If at the close of business on any day during the Purchase Period on which NAV is calculated the NAV on Dividend payment date equals or is less than the market price per share on such day plus estimated brokerage commissions, the Plan Agent will cease making open market purchases and the uninvested portion of such Dividends shall be filled through the issuance of new shares of common stock from the Fund at the price set forth in the immediately preceding paragraph.

Participants in a DRIP may withdraw from the DRIP upon notice to the Plan Agent. Such withdrawal will be effective immediately if received not less than ten days prior to a Dividend record date; otherwise, it will be effective for all subsequent Dividends. When a participant withdraws from the DRIP or upon termination of the DRIP as provided below, certificates for whole common shares credited to his or her account under the DRIP will be issued and a cash payment will be made for any fraction of a common share credited to such account. If any participant elects to have the Plan Agent sell all or part of his or her shares and remit the proceeds, the Plan Agent is authorized to deduct a \$15.00 fee plus \$0.10 per share brokerage commissions.

The Plan Agent's fees for the handling of reinvestment of Dividends will be paid by the Funds. However, each participant will pay a pro rata share of brokerage commissions incurred with respect to the Plan Agent's open market purchases in connection with the reinvestment of Dividends. The automatic reinvestment of Dividends will not relieve participants of any income tax that may be payable or required to be withheld on such Dividends.

Each Fund reserves the right to amend or terminate its DRIP. All correspondence concerning the DRIPs should be directed to the Plan Agent at (800) 432-8224.

## TAXATION

Set forth below is a discussion of certain U.S. federal income tax issues concerning the Funds and the purchase, ownership and disposition of shares in the Funds. This discussion does not purport to be complete or to deal with all aspects of federal income taxation that may be relevant to stockholders in light of their particular circumstances. This discussion is based upon present provisions of the Code, the regulations promulgated thereunder, and judicial and administrative ruling authorities, all of which are subject to change, which change may be retroactive. Prospective investors should consult their own tax advisors with regard to the federal tax consequences of the purchase, ownership, or disposition of shares in either of the Funds, as well as the tax consequences arising under the laws of any state, foreign country, or other taxing jurisdiction.

### Taxation of the Funds

Each Fund has elected to be treated as a regulated investment company under the Code.

To qualify for the favorable U.S. federal income tax treatment generally accorded to a regulated investment company, each Fund must, among other things, (i) derive in each taxable year at least 90% of its gross income from: (a) dividends, interest, payments with respect to certain securities loans, and gains from the sale or other disposition of stock, securities or foreign currencies, or other income (including but not limited to gains from options, futures and forward contracts) derived with respect to its business of investing in such stock, securities or foreign currencies; and (b) net income derived from interests in certain publicly traded partnerships that are



treated as partnerships for U.S. federal income tax purposes and that derive less than 90% of their gross income from the items described in (a) above (each a Qualified Publicly Traded Partnership); and (ii) diversify its holdings so that, at the end of each quarter of each taxable year; (a) at least 50% of the value of that Fund's total assets is represented by (I) cash and cash items, U.S. government securities, the securities of other regulated investment companies and (II) other securities, with such other securities limited, in respect of any one issuer, to an amount not greater than 5% of the value of that Fund's total assets and not more than 10% of the outstanding voting securities of such issuer and (b) not more than 25% of the value of that Fund's total assets is invested in the securities (other than U.S. government securities and the securities of other regulated investment companies) of (I) any one issuer, (II) any two or more issuers that are controlled by that Fund and that are determined to be engaged in the same or similar trades or businesses or related trades or businesses or (III) any one or more Qualified Publicly Traded Partnerships.

As regulated investment companies, each Fund generally will not be subject to U.S. federal income tax on its investment company taxable income (which includes among other items, dividends, interest and net short-term capital gains in excess of net long-term capital losses, but which is determined, for this purpose, without regard to the deduction for dividend paid) and net capital gains (the excess of net long-term capital gains over net short-term capital losses), if any, that it distributes to stockholders, provided that it distributes at least 90% of its investment company taxable income for such taxable year. Each Fund intends to distribute to its stockholders, at least annually, substantially all of its investment company taxable income and net capital gains. Amounts not distributed on a timely basis in accordance with a calendar year distribution requirement, described below, are subject to a nondeductible 4% excise tax. To prevent imposition of the excise tax, each Fund must distribute during each calendar year an amount at least equal to the sum of (1) 98% of its ordinary income (not taking into account any capital gains or losses) for the calendar year, (2) 98% of its capital gains in excess of its capital losses (adjusted for certain ordinary losses) for the one-year period ending on October 31 or December 31, as elected by each Fund, and (3) any ordinary income and capital gain net income for previous years that was not distributed during those years.

If for any taxable year a Fund does not qualify as a regulated investment company or satisfy the 90% distribution requirement, all of its taxable income (including its net capital gain) will be subject to U.S. federal income tax at regular corporate rates without any deduction for distributions to its stockholders, and such distributions will be taxable to its stockholders as ordinary dividends to the extent of that Fund's current and accumulated earnings and profits.

### **Distributions**

Dividends paid out of a Fund's current and accumulated earnings and profits will, except in the case of distributions of qualified dividend income and capital gain dividends described below, be taxable to a U.S. stockholder as ordinary income to the extent of that Fund's earnings and profits. For taxable years beginning on or before December 31, 2010, qualified dividend income received by individual stockholders is taxed at rates equivalent to long-term capital gain tax rates, which reach a maximum of 15%. Qualified dividend income generally includes dividends from domestic corporations and dividends from qualified foreign corporations. Dividends paid by U.S. REITs will not generally be eligible to qualify as qualified dividend income. A foreign corporation is a qualified foreign corporation if it is (1) incorporated in a possession of the United States or is eligible for benefits of a comprehensive income tax treaty with the United States that the United States Treasury Department determines is satisfactory for this purpose and that includes an exchange of information program or (2) any other foreign corporation with respect to any dividend paid by such corporation if the stock with respect to which such dividend is paid is readily tradable on an established securities market in the United States. A qualified foreign corporation does not include any foreign corporation, which for the taxable year of the corporation in which the dividend was paid, or the preceding taxable year, is a passive foreign investment company. Each Fund generally can pass the tax treatment of qualified dividend income it receives through to its stockholders. For a Fund to receive qualified dividend income, that Fund must meet certain holding period requirements for the stock on which the otherwise qualified dividend is paid. In addition, that Fund cannot be

obligated to make payments (pursuant to a short sale or otherwise) with respect to substantially similar or related property. The same provisions, including the holding period requirements, apply to each stockholder's investment in that Fund. The provisions of the Code applicable to qualified dividend income and the 15% maximum individual tax rate on long-term capital gains are currently effective through 2010. Thereafter, qualified dividend income will no longer be taxed at the rates applicable to long-term capital gains, and the maximum individual tax rate on long-term capital gains will increase to 20%, unless Congress enacts legislation providing otherwise. Because of the fact-specific nature of the inquiry, there can be no assurance as to what portion, if any, of a particular Fund's distributions will be entitled to the lower tax rates that apply to qualified dividend income.

Distributions of net capital gain, if any, designated as capital gain dividends are taxable to a stockholder as long-term capital gains, regardless of how long the stockholder has held shares in any particular Fund. Long-term capital gain rates for individuals have been temporarily reduced to 15% (with lower rates for individuals in the 10% and 15% rate brackets) for taxable years beginning on or before December 31, 2010.

A distribution by a Fund will be treated as paid on December 31 of the current calendar year if it is declared by that Fund in October, November or December with a record date in such a month and paid by that Fund during January of the following calendar year. Such distributions will be taxable to stockholders of that Fund in the calendar year in which the distributions are declared, rather than the calendar year in which the distributions are received. To prevent application of the excise tax, each Fund intends to make its distributions in accordance with the calendar year distribution requirement.

A distribution of an amount in excess of a Fund's current and accumulated earnings and profits will be treated by a stockholder of that Fund as a return of capital which is applied against and reduces the stockholder's basis in his or her shares of that Fund. To the extent that the amount of any such distribution exceeds the stockholder's basis in his or her shares in the relevant Fund, the excess will be treated by the stockholder as gain from a sale or exchange of the shares in that Fund.

Dividends designated by a Fund and received by corporate stockholders of that Fund will qualify for the DRD to the extent of the amount of DRD qualifying dividends received by that Fund from domestic corporations (other than REITs) for the taxable year. A dividend received by a Fund will not be treated as a DRD qualifying dividend (i) if the stock on which the dividend is paid is considered to be debt-financed (generally, acquired with borrowed funds), (ii) if that Fund fails to meet certain holding period requirements for the stock on which the dividend is paid or (iii) to the extent that the relevant Fund is under an obligation (pursuant to a short sale or otherwise) to make related payments with respect to positions in substantially similar or related property. Moreover, the DRD may be disallowed or reduced if the corporate stockholder fails to satisfy the foregoing requirements with respect to its shares of the relevant Fund or by application of the Code.

Distributions will be treated in the manner described above regardless of whether such distributions are paid in cash or invested in additional shares of a Fund through a DRIP or otherwise.

Each Fund may elect to retain its net capital gain or a portion thereof for investment and be taxed at corporate rates on the amount retained. In such case, the relevant Fund may designate its retained amount as undistributed capital gains in a notice to its stockholders who will be treated as if each received a distribution of his or her pro rata share of such gain, with the result that each stockholder will (i) be required to report his or her pro rata share of such gain on his or her tax return as long-term capital gain, (ii) receive a refundable tax credit for his or her pro rata share of tax paid by the relevant Fund on the gain and (iii) increase the tax basis for his or her shares by an amount equal to the deemed distribution less the tax credit.

Stockholders of each of the Funds will be notified annually as to the U.S. federal tax status of distributions.

### **Sale or Exchange of Fund Shares**

Upon the sale or other disposition of shares of a Fund which a stockholder holds as a capital asset, including an exchange of shares in a Fund for shares of another Cohen & Steers fund, such stockholder may realize a capital gain or loss which will be long-term or short-term, depending upon the stockholder's holding period for the shares. A stockholder who exchanges shares in a Fund for shares of another Cohen & Steers fund generally will have a tax basis in the newly-acquired fund shares equal to the amount invested in the newly-acquired fund and will begin a new holding period for federal income tax purposes.

Any loss realized on a sale or exchange will be disallowed to the extent the shares disposed of are replaced (including through reinvestment of dividends) with substantially similar shares within a period of 61 days beginning 30 days before and ending 30 days after disposition of the shares. In such a case, the basis of the shares acquired will be adjusted to reflect the disallowed loss. Any loss realized by a stockholder on a disposition of shares in a Fund held by the stockholder for six months or less will be treated as a long-term capital loss to the extent of any distributions of net capital gains received by the stockholder with respect to such shares.

If a stockholder recognizes a loss of \$2 million or more with respect to shares of a Fund for an individual stockholder or \$10 million or more for a corporate stockholder, the stockholder must file with the IRS a disclosure statement on Form 8886. Direct stockholders of portfolio securities are in many cases excepted from this reporting requirement, but under current guidance, stockholders of a regulated investment company are not excepted. The fact that a loss is reportable under these regulations does not affect the legal determination of whether the taxpayer's treatment of the loss is proper. Stockholders should consult their tax advisors to determine the applicability of these regulations in light of their individual circumstances.

### **Nature of the Funds Investments**

Certain investment practices of each of the Funds are subject to special and complex federal income tax provisions that may, among other things, (i) disallow, suspend or otherwise limit the allowance of certain losses or deductions, (ii) convert lower taxed long-term capital gain into higher taxed short-term capital gain or ordinary income, (iii) convert an ordinary loss or a deduction into a capital loss (the deductibility of which is more limited), (iv) cause one or more of the Funds to recognize income or gain without a corresponding receipt of cash, (v) adversely affect the time as to when a purchase or sale of stock or securities is deemed to occur, (vi) adversely alter the characterization of certain complex financial transactions and (vii) produce income that will not qualify as good income under the 90% annual gross income test described above. Each Fund will monitor its transactions and may make certain tax elections in order to mitigate the effect of these provisions.

#### *Investments In REITs*

Each Fund may invest in U.S. REITs that hold residual interests in real estate mortgage investment conduits ( REMICs ) or which are, or have certain wholly-owned subsidiaries that are taxable mortgage pools. Under a Notice issued by the IRS, the Code, and Treasury regulations to be issued, a portion of a Fund's income from a U.S. REIT that is attributable to the REIT's residual interest in a REMIC or, possibly, equity interests in a taxable mortgage pool (referred to in the Code as an excess inclusion ) will be subject to federal income tax in all events. These regulations are also expected to provide that excess inclusion income of a regulated investment company, such as each Fund, will be allocated to stockholders of the regulated investment company in proportion to the dividends received by such stockholders, with the same consequences as if the stockholders held the related REMIC residual interest or, if applicable, taxable mortgage pool directly. In general, excess inclusion income allocated to stockholders (i) cannot be offset by net operating losses (subject to a limited exception for certain thrift institutions), (ii) will constitute unrelated business taxable income to entities (including a qualified pension plan, an individual retirement account, a 401(k) plan, a Keogh plan or other tax-exempt entity) subject to tax on unrelated business income, thereby potentially requiring such an entity that is allocated excess inclusion income, and otherwise might not be required to file a tax return, to file a tax return and pay tax on such income, and (iii) in the case of a foreign stockholder, will not qualify for any reduction in U.S. federal withholding tax. In

addition, if at any time during any taxable year a disqualified organization (as defined in the Code) is a record holder of a share in a regulated investment company, then the regulated investment company will be subject to a tax equal to that portion of its excess inclusion income for the taxable year that is allocable to the disqualified organization, multiplied by the highest federal income tax rate imposed on corporations. The Notice imposes certain reporting requirements upon regulated investment companies that have excess inclusion income.

#### *Investment in Foreign (Non-U.S.) Securities*

Investment income that may be received by a Fund from sources within foreign countries may be subject to foreign taxes withheld at the source. The United States has entered into tax treaties with many foreign countries, which entitle each Fund to a reduced rate of, or exemption from, taxes on such income. If more than 50% of the value of a Fund's total assets at the close of the taxable year consists of stock or securities of foreign corporations, that Fund may elect to pass through to its stockholders the amount of foreign taxes paid by that Fund. If that Fund so elects, each stockholder would be required to include in gross income, even though not actually received, his or her pro rata share of the foreign taxes paid by that Fund, but would be treated as having paid his or her pro rata share of such foreign taxes and would therefore be allowed to either deduct such amount in computing taxable income or use such amount (subject to various Code limitations) as a foreign tax credit against federal income tax (but not both). For purposes of the foreign tax credit limitation rules of the Code, each stockholder would treat as foreign source income his or her pro rata share of such foreign taxes plus the portion of dividends received from the relevant Fund representing income derived from foreign sources. No deduction for foreign taxes could be claimed by an individual stockholder who does not itemize deductions. In certain circumstances, a stockholder that (i) has held shares of the relevant Fund for less than a specified minimum period during which it is not protected from risk of loss or (ii) is obligated to make payments related to the dividends will not be allowed a foreign tax credit for foreign taxes deemed imposed on dividends paid on such shares. Additionally, the relevant Fund must also meet this holding period requirement with respect to its foreign stocks and securities in order for creditable taxes to flow-through. Each stockholder should consult his or her own tax adviser regarding the potential application of foreign tax credits.

#### *Passive Foreign Investment Companies*

Each Fund may invest in shares of foreign corporations that may be classified under the Code as passive foreign investment companies (PFICs). In general, a foreign corporation is classified as a PFIC if at least one-half of the average value of its assets held during the taxable year constitute investment-type assets, or 75% or more of its gross income is investment-type income. If a Fund receives a so-called excess distribution with respect to PFIC stock, that Fund itself may be subject to a tax on a portion of the excess distribution, whether or not the corresponding income is distributed by that Fund to stockholders. In general, under the PFIC rules, an excess distribution is treated as having been realized ratably over the period during which the relevant Fund held the PFIC shares. A Fund will itself be subject to tax on the portion, if any, of an excess distribution that is so allocated to prior taxable years of that Fund and an interest factor will be added to the tax, as if the tax had been payable in such prior taxable years. Certain distributions from a PFIC as well as gain from the sale of PFIC shares are treated as excess distributions. Excess distributions are characterized as ordinary income even though, absent application of the PFIC rules, certain excess distributions might have been classified as capital gain.

Each Fund may be eligible to elect alternative tax treatment with respect to its PFIC shares. Under an election that currently is available in some circumstances, the Fund would be required to include in its gross income its share of the earnings of a PFIC on a current basis, regardless of whether distributions were received from the PFIC in a given year. If this election were made, the special rules, discussed above, relating to the taxation of excess distributions, would not apply. In addition, another election would involve marking to market the electing Fund's PFIC shares at the end of each taxable year, with the result that unrealized gains would be treated as though they were realized and reported as ordinary income. Any mark-to-market losses and any loss from an actual disposition of PFIC shares would be deductible as ordinary losses to the extent of any net mark-to-market gains included in income in prior years by the relevant Fund.

Under either election, a Fund might be required to recognize in a year income in excess of its distributions from PFICs and its proceeds from dispositions of PFIC stock during that year, and such income would nevertheless be included in determining the amount of income which that Fund must distribute to maintain its status as a regulated investment company and to avoid the payment of federal income tax and the 4% excise tax.

Dividends from a PFIC and certain other foreign corporations are not eligible for treatment as qualified dividend income. See Distributions above for a discussion regarding the taxation of qualified dividend income.

Certain other anti-deferral rules could apply to a Fund and its stockholders to the extent that Fund owns 10% or more of the voting powers of the voting stock of a controlled foreign corporation.

#### *Foreign Currency Transactions*

Under Section 988 of the Code, gains or losses attributable to fluctuations in exchange rates between the time a Fund accrues income or receivables or expenses or other liabilities denominated in a foreign currency and the time that Fund actually collects such income or receivables or pays such liabilities are generally treated as ordinary income or loss. Similarly, gains or losses on foreign currency forward contracts and the disposition of debt securities denominated in a foreign currency, to the extent attributable to fluctuations in exchange rates between the acquisition and disposition dates, are also treated as ordinary income or loss.

#### *Options And Hedging Transactions*

The taxation of equity options and OTC options on debt securities is governed by Section 1234 of the Code. Pursuant to Section 1234 of the Code, the premium received by a Fund for selling a put or call option is not included in income at the time of receipt. If the option expires, the premium is short-term capital gain to that Fund. If a Fund enters into a closing transaction, the difference between the premium received and the amount paid to close out its position is short-term capital gain or loss. If a call option written by a Fund is exercised, thereby requiring that Fund to sell the underlying security, the premium will increase the amount realized upon the sale of such security, and any resulting gain or loss will be capital gain or loss and will be long-term or short-term depending upon the holding period of the security. With respect to a put or call option that is purchased by a Fund, if the option is sold, any resulting gain or loss will be a capital gain or loss, and will be long-term or short-term, depending upon the holding period of the option. If the option expires, the resulting loss is a capital loss and is long-term or short-term depending upon the holding period of the option. If the option is exercised, the cost of the option, in the case of a call option, is added to the basis of the purchased security and, in the case of a put option, reduces the amount realized on the underlying security in determining gain or loss.

Certain options, futures contracts and forward contracts in which a Fund may invest may be Section 1256 contracts governed by Section 1256 of the Code. Gains or losses on Section 1256 contracts generally are considered 60% long-term and 40% short-term capital gains or losses; however, foreign currency gains or losses (as discussed below) arising from certain Section 1256 contracts may be treated as ordinary income or loss. Also, Section 1256 contracts held by a Fund at the end of each taxable year (and, generally, for purposes of the 4% excise tax, on October 31 or December 31, as elected by the Fund) are marked-to-market (that is, treated as sold at fair market value), resulting in unrealized gains or losses being treated as though they were realized.

Generally, the hedging transactions undertaken by a Fund may result in straddles for U.S. federal income tax purposes. The straddle rules may affect the character of gains (or losses) realized by a Fund. In addition, losses realized by a Fund on positions that are part of a straddle may be deferred under the straddle rules, rather than being taken into account in calculating the taxable income for the taxable year in which the losses are realized. Because only a few regulations implementing the straddle rules have been promulgated, the tax consequences to a Fund of engaging in hedging transactions are not entirely clear. Hedging transactions may increase the amount of short-term capital gain realized by a Fund which is taxed as ordinary income when distributed to stockholders.

Each Fund may make one or more of the elections available under the Code which are applicable to straddles. If a Fund makes any of the elections, the amount, character and timing of the recognition of gains or losses from the affected straddle positions will be determined under rules that vary according to the election(s) made. The rules applicable under certain of the elections may operate to accelerate the recognition of gains or losses from the affected straddle positions.

Because the straddle rules may affect the character of gains or losses, defer losses and/or accelerate the recognition of gains or losses from the affected straddle positions, the amount which may be distributed to stockholders of a Fund, and which will be taxed to them as ordinary income or long-term capital gain, may be increased or decreased as compared to a fund that did not engage in such hedging transactions.

Notwithstanding any of the foregoing, a Fund may recognize gain (but not loss) from a constructive sale of certain appreciated financial positions if that Fund enters into a short sale, offsetting notional principal contract, or futures or forward contract transaction with respect to the appreciated position or substantially identical property. Appreciated financial positions subject to this constructive sale treatment are interests (including options, futures and forward contracts and short sales) in stock, partnership interests, certain actively traded trust instruments and certain debt instruments. Constructive sale treatment does not apply to certain transactions closed prior to the end of the 30th day after the close of the taxable year, if certain conditions are met.

#### *Market Discount Bonds*

Gains derived by a Fund from the disposition of any market discount bonds (*e.g.*, bonds purchased other than at original issue, where the face value of the bonds exceeds their purchase price) held by that Fund will be taxed as ordinary income to the extent of the accrued market discount of the bonds, unless that Fund elects to include the market discount in income as it accrues.

#### *Original Issue Discount Securities*

Investments by a Fund in zero coupon or other discount securities will result in income to that Fund generally equal to a portion of the excess of the face value of the securities over their issue price (the original issue discount) each year that the securities are held, even though that Fund receives no cash interest payments. This income is included in determining the amount of income which that Fund must distribute to maintain its status as a regulated investment company and to avoid the payment of federal income tax and the 4% excise tax. In addition, if a Fund invests in certain high yield original issue discount securities issued by corporations, a portion of the original issue discount accruing on any such obligation may be eligible for the deduction for dividends received by corporations. In such event, dividends of investment company taxable income received from the relevant Fund by its corporate stockholders, to the extent attributable to such portion of accrued original issue discount, may be eligible for this deduction for dividends received by corporations if so designated by that Fund in a written notice to stockholders. Because such income may not be matched by a corresponding cash distribution to that Fund, that Fund may be required to borrow money or dispose of other securities to be able to make distributions to its stockholders.

#### *Investments in Securities of Uncertain Tax Character*

Each Fund may invest in preferred securities or other securities the U.S. federal income tax treatment of which may not be clear or may be subject to recharacterization by the IRS. To the extent the tax treatment of such securities or the income from such securities differs from the tax treatment expected by the particular Fund, it could affect the timing or character of income recognized by that Fund, requiring that Fund to purchase or sell securities, or otherwise change its portfolio, in order to comply with the tax rules applicable to regulated investment companies under the Code.

### **Backup Withholding**

Each Fund may be required to withhold U.S. federal income tax on certain distributions payable to its stockholders who fail to provide it with their correct taxpayer identification number or to make required certifications, or who have been notified by the IRS that they are subject to backup withholding. Corporate stockholders and certain other stockholders specified in the Code generally are exempt from such backup withholding. Backup withholding is not an additional tax. Any amounts withheld may be credited against the stockholder's U.S. federal income tax liability.

### **Foreign Stockholders**

U.S. taxation of income from a Fund to a stockholder who, as to the United States, is a nonresident alien individual, a foreign trust or estate, a foreign corporation or foreign partnership ( foreign stockholder ) depends on whether the income of that Fund is effectively connected with a U.S. trade or business carried on by the stockholder.

#### *Income Not Effectively Connected*

If the income from a Fund is not effectively connected with a U.S. trade or business carried on by the foreign stockholder, distributions of investment company taxable income will generally be subject to a U.S. tax of 30% (or lower treaty rate, except in the case of any excess inclusion income allocated to the stockholder (see Taxation Investments In REITs, above)), which tax is generally withheld from such distributions. Notwithstanding the foregoing, U.S. source withholding taxes are not currently imposed on dividends paid by a regulated investment company to the extent the dividends are designated as interest-related dividends or