DIVIDEND & INCOME FUND
Form 497
August 29, 2013

DIVIDEND AND INCOME FUND

Up to 2,050,000 Shares of Beneficial Interest ($0.01 par value per Share)
Issuable upon Exercise of Non-Transferable Rights to Subscribe for Such Shares

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Dividend and Income Fund (the "Fund") is issuing non-transferable rights (the "Rights") to its holders of shares of beneficial interest (the "Shares"). You will receive one Right for each Share of the Fund you own as of the close of business on August 30, 2013 (the "Record Date") rounded up to the nearest number of Rights evenly divisible by three. These Rights entitle you to buy new Shares of the Fund. For every three Rights that you receive, you can buy one new Share of the Fund, plus, in certain circumstances, additional new Shares pursuant to an over-subscription privilege (discussed in this prospectus). The new Shares issued in this rights offering also will be listed on the New York Stock Exchange (the "NYSE") under the symbol "DNI."

This rights offering provides existing Fund shareholders with the opportunity to purchase additional Shares at a price below both market and net asset value ("NAV") without paying any commissions. The subscription price per Share (the "Subscription Price") will be 95% of the lower of (a) the Fund's NAV per Share or (b) the market price per Share. For this purpose, the NAV per Share will be determined as of September 27, 2013, unless terminated or extended (the "Expiration Date"). The market price per Share will be the average of the volume weighted average sales price of a Share on the NYSE on the Expiration Date and the four preceding trading days. As of August 26, 2013, the NAV per Share was $17.73 and the average of the volume weighted average sales price of a Share on the NYSE on August 26, 2013 and the four preceding trading days was $16.16 for an estimated Subscription Price of $15.35 per Share. Because the Expiration Date is the last day of the Subscription Period (defined below), shareholders who choose to exercise their Rights will not know the actual Subscription Price at the time they exercise such Rights. The Fund may increase the number of Shares subject to subscription through the over-subscription privilege by up to 25%, or up to an additional 550,000 Shares, for an aggregate total of up to 2,600,000 Shares.

IMPORTANT DATES TO REMEMBER: The Subscription Period runs from August 30, 2013 to 5:00 p.m. ET, on September 27, 2013, the Expiration Date, subscription certificates and payment for Shares are due September 27, 2013, notices of guaranteed delivery are due September 27, 2013, and payment for Shares pursuant to notices of guaranteed delivery are due October 2, 2013. Each of the foregoing dates may be extended, or the rights offering terminated, as described in this prospectus.

Shareholders who do not exercise their Rights will, upon the completion of the rights offering, own a smaller proportional interest in the Fund than he or she does now. In addition, because the Subscription Price per Share will be less than the then current NAV per Share, the completion of the rights offering will result in an immediate dilution of the NAV per Share for all existing shareholders. Such dilution could be substantial. If such dilution occurs, shareholders will experience a decrease in the NAV per Share held by them, irrespective of whether they exercise all or any portion of their Rights. The Fund cannot state precisely the extent of this dilution because the Fund does not know what the NAV will be when the rights offering expires, how many Shares will be subscribed for, or the exact expenses of the rights offering. Volatility in the market price of Shares of the Fund may increase or decrease during the rights offering. For further information on the effects of dilution, see "Special Considerations and Risk Factors" on page 39 of this prospectus.

For additional information, please call The Colbent Corporation toll free at 1-877-265-2368.

(Continued on the following page)

THE SEC HAS NOT APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Estimated Subscription Price(1)	Sales Load(2)	Estimated Proceeds to the Fund(1)(3)
Per Share	$15.35	None	$15.35
Total(4)	$15.35	None	$31,467,500

(Footnotes on the following page)

The date of this prospectus is August 28, 2013

The Fund is a diversified, closed end management investment company. The Fund's primary investment objective is to seek high current income. Capital appreciation is a secondary objective. The Fund seeks to achieve its objectives by investing, under normal circumstances, at least 50% of its total assets in income generating equity securities, including dividend paying common stocks, convertible securities, preferred stocks, securities of registered investment companies (including, but not limited to, closed end and open end management investment companies, and business development companies) (collectively, "investment companies"), exchange traded funds organized as investment companies or otherwise, real estate investment trusts, depositary receipts, and other equity related securities (collectively, "Income Generating Equity Securities"). The Fund may invest in fixed income securities, including bonds issued by domestic and foreign corporate entities and U.S. government securities. The Fund may also invest in securities of other issuers, including investment companies, exchange traded funds and real estate investment trusts, deemed by the Fund's investment manager not to be Income Generating Equity Securities based on the issuer's income generation, objectives, policies, holdings, or similar criteria. Securities in which the Fund may invest include high yield, high risk securities which are rated below investment grade, including the lowest rating categories, or are unrated but are determined by the Fund's investment manager to be of comparable quality, and are considered speculative and subject to certain risks that may be greater than those of higher rated securities.. The Fund has used leverage since its inception and expects to do so in the future; however, there can be no assurance that the Fund will continue to engage in any leveraging techniques. There is no assurance the Fund will achieve its investment objectives.

Exercising your Rights and investing in Shares of the Fund involves risks. Please see "Special Considerations and Risk Factors" beginning on page 39 of this prospectus to learn more about the risks you should carefully consider before exercising any Rights to subscribe for Shares, including the risks of investing in below investment grade securities and the risks of leverage. Certain of these risks are summarized in "Prospectus Summary—Special Considerations and Risk Factors" beginning on page 8 of this prospectus.

The NAV per Share on August 26, 2013 was $17.73. On August 26, 2013, the last reported sale price of a Share as reported by the NYSE was $16.17.

(Footnotes from the previous page)

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(1) Estimated on the basis of 95% of the lower of the NAV per Share at the close of trading on August 26, 2013 or the average of the volume weighted average sales price of a Share on the NYSE on August 26, 2013 and the four preceding trading days.

(2) This is not an underwritten offering, and there will be no underwriting discounts or commissions. The Rights are being offered directly by the Fund without the services of an underwriter or dealer.

(3) Before the deduction of rights offering expenses incurred by the Fund, estimated to be $236,375. Subscription proceeds received prior to the Expiration Date will be deposited in a segregated account pending allocation and distribution of Shares. Interest, if any, on those proceeds will be paid to and retained by the Fund regardless of whether Shares are issued by the Fund and will not be used as credit towards the purchase of Shares.

(4) Assumes all Rights are exercised at the Estimated Subscription Price. Pursuant to the over-subscription privilege, the Fund may, at the discretion of its Board of Trustees, increase the number of Shares subject to subscription by up to 25% of the Shares offered hereby. If the Fund increases the number of Shares subject to subscription by 25%, the Total Estimated Subscription Price will be $15.35 and the Total Estimated Proceeds to the Fund will be $39,910,000.

This prospectus contains information you should know before investing. Please read it carefully before investing and keep it for future reference. Additional information about the Fund, including a Statement of Additional Information dated August 28, 2013 ("SAI"), which SAI hereby is incorporated by reference in its entirety into this prospectus, has been filed with the United States Securities and Exchange Commission ("SEC"). You can review the table of contents for the SAI on page 65 of this prospectus. You may obtain additional information about the Fund, including its SAI and annual and semi-annual reports, without charge (i) upon request, by calling the Information Agent toll free at 1-877-265-2368; (ii) on the Fund's website at http://www.dividendandincomefund.com; and (iii) on the SEC's website at http://www.sec.gov. The Shares do not represent a deposit or obligation of, and are not guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency. All questions and inquiries relating to the rights offering should be directed to the Information Agent, toll free at 1-877-265-2368.

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You should rely only on the information contained or incorporated by reference in this prospectus. No person has been authorized to give any information or to make any representations other than those contained in this prospectus in connection with the offer contained herein and, if given or made, such information or representations must not be relied upon as having been authorized by the Fund. Offers to sell, and offers to buy, Shares may only be made and are valid only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of Shares. To the extent required by law, the Fund undertakes to amend or supplement this prospectus to reflect any material changes to the Fund after the date of this prospectus.

PROSPECTUS SUMMARY

This summary highlights some of the information set forth elsewhere in this prospectus. It is not complete and may not contain all of the information that you may want to consider. You should read carefully the more detailed information set forth under "Special Considerations and Risk Factors" and the other information included or incorporated by reference in this prospectus.

THE OFFERING

General Terms:	Dividend and Income Fund (the "Fund") is issuing to its shareholders of record as of the close of business on August 30, 2013 (the "Record Date"), non-transferable rights ("Rights") to subscribe for up to an aggregate of 2,050,000 new shares of the Fund's shares of beneficial interest ("Shares"), par value $0.01 per Share. In certain circumstances described below under "Over-Subscription Privilege," the Fund may increase the number of Shares subject to subscription by up to 25%, or up to an additional new 550,000 Shares, for an aggregate total of up to 2,600,000 new Shares. Each Record Date shareholder will receive one Right for each outstanding Share owned on the Record Date rounded up to the nearest number of Rights evenly divisible by three. The Rights entitle each holder to purchase one new Share for each three Rights held. The Fund will not issue fractional Shares upon the exercise of fewer than three Rights. A Record Date shareholder's right to acquire one Share for every three Rights held during the Subscription Period (defined below) is referred to as the "Primary Subscription" and the Shares issued through the Primary Subscription are referred to as the "Primary Subscription Shares." If a Record Date shareholder exercises all of the Rights he or she received in the Primary Subscription, that shareholder also may subscribe for additional Shares pursuant to the Over-Subscription Privilege (defined below). See "The Rights Offering – Terms of the Offering."
Purpose of the Offering:	The Board of Trustees of the Fund (the "Board" or the "Trustees") has determined that it would be in the best interests of the Fund and its shareholders to increase the assets of the Fund and that the rights offering is currently an effective and efficient way to raise additional assets for the Fund. In connection with its conclusion to approve the rights offering, the Board considered, among other things, the following factors: (i) the rights offering provides an exclusive opportunity to Record Date shareholders to purchase Shares of the Fund at a price below both the then current market price and the Fund's net asset value ("NAV") per share; (ii) shareholders who do not fully exercise their Rights will own, upon completion of the rights offering, a smaller proportional interest in the Fund than they owned before the rights offering and that the completion of the rights offering will result in an immediate dilution of the NAV per Share for all existing shareholders,

irrespective of whether they exercise all or a portion of their Rights; (iii) the increased equity capital to be available upon completion of a fully subscribed rights offering, including Shares issued pursuant to the Over-Subscription Privilege, that could be used for making additional investments consistent with the Fund's investment objectives; (iv) various other capital-raising alternatives, including conducting a secondary offering of Shares, conducting at-the-market offerings, and conducting a transferable rights offering and the benefits and drawbacks of conducting a transferable versus a non-transferable rights offering; (v) the size of the rights offering in relation to the number of Shares outstanding; (vi) the belief of Bexil Advisers LLC (the "Investment Manager") that it would be in the best interests of the Fund and its shareholders to increase the assets of the Fund thus permitting the Fund to be in a better position to more fully take advantage of investment opportunities that may arise and seek to enhance the Fund's future returns; (vii) the Investment Manager's belief that a larger number of outstanding Shares could increase the level of market interest in and visibility of the Fund and improve the trading liquidity of the Fund's Shares; (viii) that the increase in assets may result in a modestly lower expense ratio for the Fund by spreading the Fund's fixed costs over a larger asset base; (ix) the potential impact of the rights offering on the Fund's managed distribution policy; and (x) that the Investment Manager has an inherent conflict of interest in recommending the rights offering because the Fund pays fees to the Investment Manager based on a percentage of the Fund's assets and the Investment Manager will benefit from the increase in Fund assets that is expected to result from the rights offering. The Board also considered that one of the Fund's Trustees who voted to authorize the rights offering is an "interested person" of the Investment Manager within the meaning of the Investment Company Act of 1940, as amended ("1940 Act"), due to his affiliation with the Investment Manager and may benefit indirectly from the rights offering because of his interest in the Investment Manager. The Board also considered the Fund's prior 2011 rights offering (the "Prior Offer"), including: (i) the number of exercising shareholders, including the Investment Manager, and dollar amounts subscribed for in the Primary Subscription and the Over-Subscription Privilege; (ii) the size of the offering and net proceeds to the Fund; (iii) the dilutive effect of the Prior Offer; (iv) the offering expenses incurred; and (v) the investments made by the Fund with the proceeds and the Fund's subsequent performance. In the Prior Offer, shareholders of record on November 14, 2011 were issued one non-transferable right for each outstanding Share owned, and each shareholder holding rights was entitled to subscribe for one new Share for every three rights held for a subscription price based on substantially the same formula as the current Subscription Price (as defined below). The Prior Offer expired on December 23, 2011. The Board noted that the Prior Offer was over subscribed, resulting in the Fund issuing 1,774,988 additional Shares (restated to reflect the effects of the Fund's subsequent 1-for-4 reverse stock split). See "The Rights Offering — Purpose of the Offering."

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Subscription Price:	The subscription price per Share (the "Subscription Price") will be 95% of the lower of (a) the Fund's NAV per Share or (b) the market price per Share. For this purpose, the NAV per Share will be determined as of September 27, 2013, the date on which the rights offering expires, unless terminated or extended (the "Expiration Date"). The market price per Share will be the average of the volume weighted average sales price of a Share on the New York Stock Exchange (the "NYSE") on the Expiration Date and the four preceding trading days. As of August 26, 2013 the NAV per Share was $17.73 and the average of the volume weighted average sales price of a Share on the NYSE on August 26, 2013 and the four preceding trading days was $16.16 for an estimated Subscription Price of $15.35 per Share. Because the Expiration Date is the last day of the Subscription Period, Record Date shareholders who choose to exercise their Rights will not know the actual Subscription Price at the time they exercise such Rights. See "The Rights Offering – The Subscription Price."
Subscription Period:	Rights may be exercised at any time during the offering period (the "Subscription Period") which starts on August 30, 2013 and ends at 5:00 p.m., ET, on September 27, 2013, the Expiration Date, unless terminated or extended. See "The Rights Offering –Terms of the Offering."
Over-Subscription Privilege:	Record Date shareholders who fully exercise their Rights in the Primary Subscription may subscribe for the Primary Subscription Shares not subscribed for by other Rights holders. If sufficient Primary Subscription Shares are available after completion of the Primary Subscription, all over-subscription requests will be honored in full. To satisfy over-subscription requests, the Fund may, at the discretion of the Board, increase the number of Shares subject to subscription by up to 25% of the Primary Subscription Shares (the "Secondary Subscription Shares"), for an aggregate total of up to 2,600,000 new Shares. Primary Subscription Shares not bought in the Primary Subscription, together with all Secondary Subscription Shares, if any, are called "Excess Shares." The entitlement to buy Excess Shares is called the "Over-Subscription Privilege." Over-Subscription Privilege requests are subject to certain limitations and subject to allotment, which is more fully discussed under "The Rights Offering—Over-Subscription Privilege."

Methods for Exercising Rights:	If you own your Shares through an intermediary, such as a broker, bank, or trust company, or other financial institution or nominee you may contact your intermediary, who can arrange, on your behalf, to guarantee delivery of a properly completed and executed subscription certificate ("Subscription Certificate") pursuant to a notice of guaranteed delivery ("Notice of Guaranteed Delivery"). The institution may charge a fee for this service. The Notice of Guaranteed Delivery must be received by the Subscription Agent (as defined below), The Colbent Corporation, at its address set forth below before 5:00 p.m., ET, on or before the Expiration Date. A properly completed and executed Subscription Certificate, together with payment of the estimated purchase price of $15.35 per Share, must be received by the Subscription Agent by the close of business on the third business day after the Expiration Date or the Subscription Agent will not honor a Notice of Guaranteed Delivery. No later than October 11, 2013 unless extended (the "Confirmation Date"), the Subscription Agent will send to each exercising Rights holder (or, if Shares are held by Cede & Co. ("Cede") or any other depository or nominee, to Cede or such other depository or nominee) a confirmation showing (1) the number of Shares purchased pursuant to the Primary Subscription; (2) the number of Shares, if any, acquired pursuant to the Over-Subscription Privilege; (3) the per Share and total purchase price for the Shares; and (4) any additional amount payable to the Fund by the exercising Rights holder or any excess to be refunded by the Fund to the exercising Rights holder, in each case based on the estimated Subscription Price as determined on the Expiration Date. Final payment of the actual purchase price per Share must be received by the Subscription Agent within ten (10) business days after the Confirmation Date. If your Shares are held in certificate form or by American Stock Transfer & Trust Company, LLC, the Fund's transfer agent, you may exercise your Rights by completing and signing the Subscription Certificate that accompanies this prospectus and mailing it in the envelope provided, or otherwise delivering it, to the Subscription Agent, together with payment of the estimated purchase price of $15.35 per Share. The instructions accompanying the Subscription Certificate should be read carefully and followed in detail. The Subscription Certificate and payment for the Shares must be received by the Subscription Agent at its address set forth below before 5:00 p.m., ET, on or before the Expiration Date. Final payment of the actual purchase price per Share must be received by the Subscription Agent within ten (10) business days after the Confirmation Date. Exercising Rights holders will have no right to rescind their purchase after the Subscription Agent has received payment, either by means of a Notice of Guaranteed Delivery or a check, money order or wire payment, except under the circumstances described below under "Notice of Net Asset Value Decline." Notwithstanding the foregoing,

	the Fund may cancel this rights offering before the Expiration Date, even after the Rights have been distributed and subscriptions have been received. See “The Rights Offering – Methods for Exercising Rights” and “The Rights Offering – Payment for Shares.”
Information Agent and Subscription Agent:	The Colbent Corporation serves as the Fund’s Information Agent and Subscription Agent (the “Information Agent” or the “Subscription Agent”) in connection with this rights offering. Any questions or requests for assistance concerning the method of subscribing for Shares or for additional copies of this prospectus or Subscription Certificates may be directed to the Information Agent toll free at 1-877-265-2368. See “The Rights Offering – Information Agent and Subscription Agent.”

Completed Subscription Certificates must be sent together with proper payment of the Subscription Price for all Shares subscribed for within the prescribed time period by first class mail, express mail, overnight courier or by hand (9:00 a.m. – 5:00 p.m. ET) to the Subscription Agent at the address listed below:

By First Class Mail:

The Colbent Corporation
Attn: Corporate Actions
P.O. Box 859208
Braintree MA 02185-9208

By Express Mail, Overnight Courier or by Hand:

The Colbent Corporation
Attn: Corporate Actions
161 Bay State Drive
Braintree, MA 02184
Telephone: 1-877-265-2368

Important Dates to Remember:

Record Date	August 30, 2013
Subscription Period	August 30, 2013 to September 27, 2013*
Expiration Date	September 27, 2013*
Deadline for Subscription Certificates and Payment for Shares**	September 27, 2013*
Deadline for Notices of Guaranteed Delivery**	September 27, 2013*
Deadline for Subscription Certificates and Payment pursuant to Notices of Guaranteed Delivery	October 2, 2013*
Confirmation Date	October 11, 2013*
Final Payment for Shares due***	October 28, 2013*

* Unless extended.

** Record date shareholders exercising Rights must deliver to the Subscription Agent by the Expiration Date either (i) the Subscription Certificate together with payment or (ii) a Notice of Guaranteed Delivery.

	*** Additional amount due (in the event the Subscription Price exceeds the estimated Subscription Price). See "The Rights Offering – Payment for Shares."
Federal Income Tax Consequences:	For federal income tax purposes, neither the receipt nor the exercise of the Rights will result in taxable income or gain to holders of the Rights. You will not recognize a taxable loss if your Rights expire without being exercised. See "Certain Federal Income Tax Consequences of the Offering."

Use of Proceeds:	The net proceeds to the Fund from this rights offering, assuming all Primary Subscription Shares are sold, are estimated to be $31,231,125 or, if pursuant to the Over-Subscription Privilege the Fund at the discretion of the Board elects to increase the number of Shares subject to subscription in an amount up to 25% of the Primary Subscription Shares and all such Secondary Subscription Shares are sold, $39,673,625, in each case after deducting offering expenses. The Fund will invest the net proceeds of the rights offering in accordance with the Fund's investment objectives and policies. The Fund's Investment Manager anticipates that the proceeds of the rights offering will be fully invested within 90 days of the completion of the rights offering. See "Use of Proceeds." The Fund does not currently anticipate an increase in leverage following the completion of the rights offering; however, the Fund reserves the right to adjust leverage from time to time. See "Investment Objectives, Policies, and Strategies—Leverage."
Costs of the Rights Offering:	The costs of the rights offering, which are estimated to be $236,375, will be borne by the Fund.
Notice of Net Asset Value Decline:	As required by the SEC, the Fund will suspend the rights offering until it amends this prospectus if, after the effective date of this prospectus, the Fund's NAV declines more than 10% from the Fund's NAV as of the effective date. In such event, the Expiration Date would be extended and the Fund would notify Record Date shareholders of the decline and permit exercising Rights holders to cancel their exercise of Rights. Rights holders will have their payment for additional Shares returned to them if they opt to cancel the exercise of their Rights. See "The Rights Offering – Notice of Net Asset Value Decline."
Foreign Restrictions:	Subscription certificates will not be mailed to Record Date shareholders whose record addresses are outside the United States or who have an APO or FPO address. Instead, such shareholders will receive written notice of this rights offering as set forth in this prospectus. See "The Rights Offering – Foreign Restrictions."

THE FUND

Overview:	Dividend and Income Fund is a diversified, closed end management investment company with Shares listed on the NYSE under the symbol "DNI." As of July 30, 2013, the Fund had 6,062,197 Shares outstanding. Registered under the 1940 Act, the Fund was incorporated under the laws of the State of Maryland on April 6, 1998 and commenced investment operations on June 29, 1998 under the name Chartwell Dividend and Income Fund, Inc., which was shortened effective February 1, 2011 to Dividend and Income Fund, Inc. On May 14, 2012, the Fund reorganized into a Delaware

statutory trust and changed its name to Dividend and Income Fund.

Investment Objectives and Policies:

The Fund's primary investment objective is to seek high current income. Capital appreciation is a secondary objective. The Fund seeks to achieve its objectives by investing, under normal circumstances, at least 50% of its total assets in income generating equity securities, including dividend paying common stocks, convertible securities, preferred stocks, securities of registered investment companies (including, but not limited to, closed end management investment companies ("closed end funds"), open end management investment companies ("open end funds"), and business development companies ("BDCs")) (collectively, "investment companies"), exchange traded funds ("ETFs") organized as investment companies or otherwise, real estate investment trusts ("REITs"), depositary receipts, including American Depositary Receipts ("ADRs"), European Depositary Receipts ("EDRs"), Global Depositary Receipts ("GDRs"), and other equity related securities (collectively, "Income Generating Equity Securities"). The Fund may invest in fixed income securities ("Debt Securities"), including bonds issued by domestic and foreign corporate entities and U.S. government securities. The Debt Securities in which the Fund may invest may be structured as fixed rate debt, floating rate debt, and debt that may not pay interest at the time of issuance. The Fund may also invest in securities of other issuers, including investment companies, ETFs and REITs, deemed by the Investment Manager not to be Income Generating Equity Securities based on the issuer's income generation, objectives, policies, holdings, or similar criteria. The Fund may invest in securities of domestic or foreign issuers of any size. There is no assurance the Fund will achieve its investment objectives.

The individual Debt Securities in which the Fund may invest include high yield, high risk securities which are rated below investment grade, including the lowest rating categories, or are unrated but are determined by the Investment Manager to be of comparable quality, and are considered speculative and subject to certain risks that may be greater than those of higher rated securities. Securities rated below investment grade are those rated below "Baa" by Moody's Investors Service, Inc. ("Moody's") or below "BBB" by Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc. ("S&P"). The Fund normally will not invest more than 50% of its total assets in below investment grade Debt Securities, commonly known as junk bonds. Certain Income Generating Equity Securities in which the Fund may invest, including convertible securities and preferred stocks, may also be rated below investment grade and generally will have characteristics similar to those of lower rated Debt Securities. The Fund will not, however, normally invest in convertible securities rated below "C" by Moody's or "CC" by S&P.

The Fund is permitted to invest in shares of registered investment companies to the extent permitted by the 1940 Act. For purposes of categorizing the Fund's investments in investment company shares with respect to the Fund's overall investment strategy, investment company shares held by the Fund may be deemed by the Investment Manager to be Income Generating Equity Securities, Debt Securities, or otherwise, depending on the income generation, objectives, policies, holdings, or similar criteria of the investment company. In accordance with the 1940 Act, the Fund will be limited in the amount the Fund and its affiliates can invest in any one investment company to 3% of the investment company's total outstanding stock. As a result, the Fund may hold a smaller position in such investment company than if it were not subject to this restriction. To comply with provisions of the 1940 Act, on any matter upon which the Fund is solicited to vote as a stockholder in an investment company in which it invests, the Investment Manager votes such shares in the same general proportion as shares held by other stockholders of that investment company. The Fund does not invest in any investment companies managed by the Investment Manager or its affiliates. Investment companies incur advisory fees and other expenses. The Fund, as a stockholder, will indirectly bear its pro rata portion of such fees and expenses in addition to the Fund's direct fees and expenses.

In seeking to enhance returns, the Fund may employ leverage to the extent permitted under the 1940 Act. See "Use of Leverage" below and "Investment Objectives, Policies, and Strategies—Leverage." The Fund may also engage in the sale of covered call options. The Fund may not make short sales of securities or purchase securities on margin except for delayed delivery or when-issued transactions or such short term credits as are necessary for the clearance of transactions and the writing of call options on securities. The Fund may trade securities actively in pursuit of its investment objectives. The Fund also may lend its portfolio securities to brokers, dealers, and other financial institutions.

The Fund may, from time to time, make temporary investments for defensive purposes that are inconsistent with the Fund's principal investment strategies in attempting to respond to adverse market, economic, political or other conditions, pending investment of the proceeds of sales of portfolio securities, pending investment of the proceeds from this rights offering, or at other times when suitable investments are not otherwise available. To the extent the Fund takes temporary defensive positions, it may not achieve its investment objectives.

See "Investment Objectives, Policies, and Strategies" in this prospectus and "Additional Information About the Fund's Investment Program" in the Fund's Statement of Additional Information dated August 28, 2013 ("SAI").

Investment Strategy: When selecting Income Generating Equity Securities for the Fund, the Investment Manager will normally emphasize those with a yield anticipated to be greater than or comparable to that of the average dividend yield of the Standard & Poor's 500 Composite Stock Index ("S&P 500 Index"). After identifying qualifying Income Generating Equity Securities, the Investment Manager will typically apply fundamental investment analysis, which may consider yield, financial strength, profitability, growth potential, and risks, as well as other considerations, such as market, sector, or industry diversification, to select the Fund's specific portfolio securities. The industry sector weightings in the Income Generating Equity Securities portion of the Fund's portfolio are determined based on the Investment Manager's research. Except for securities related to the U.S. government, the Fund will not invest 25% or more of its total assets in any one industry and, as to 75% of the Fund's total assets, the Fund will not invest more than 5% of the value of its total assets in securities of any one issuer.

When selecting Debt Securities for the Fund, the Investment Manager will seek investments that offer a high level of current income consistent with reasonable risk in light of the nature of the investments. Debt Securities under consideration for the Fund's portfolio normally will be analyzed by the Investment Manager based on fundamental factors, including yield, financial and operating strength, and risk, and other considerations, including marketability, relative value characteristics, and general credit trends. The Fund will generally invest in such securities presenting, in the Investment Manager's opinion, the potential for investment returns consistent with the Fund's investment objectives.

The Investment Manager generally considers a variety of factors when determining whether to sell a security in the Fund's portfolio and may sell a security at any time in its discretion. A security is typically sold when its potential to meet the Fund's investment objectives is limited or exceeded by another potential investment or when an investment no longer appears to meet the Fund's investment objectives.

See "Investment Objectives, Policies, and Strategies – Investment Strategy."

Use of Leverage: The Fund has utilized leverage since shortly after it began investment operations and expects to continue to use investment leverage; however, there can be no assurance that the Fund will continue to engage in any leveraging techniques. The Fund is currently a party to a committed facility agreement ("CFA") with BNP Paribas Prime Brokerage, Inc. ("BNP") and as of July 29, 2013, had borrowed $10,112,383 million under the CFA.

The percentage amount of the Fund's leverage outstanding as of July 29, 2013 was 8.39% of its total assets (including the proceeds of such leverage). At the completion of the rights offering, the percentage amount of the Fund's leverage outstanding is expected to decrease to 0% of total assets assuming all Primary Subscription Shares are sold and 0% of total assets assuming the Fund issues and sells all Secondary Subscription Shares pursuant to the Over-Subscription Privilege, unless the Fund otherwise changes its borrowing. The Fund does not currently anticipate an increase in leverage following the completion of the rights offering; however, the Fund reserves the right to adjust leverage from time to time. Although the Fund's fundamental investment restrictions permit leverage in an amount up to 50% of its total assets (including the amount obtained from the issuance of certain senior securities), the Fund's CFA allows the Fund to adjust its leverage under the CFA up to $25,000,000. The Fund's portfolio securities are normally pledged at least to the extent required under the CFA as collateral. Following completion of the rights offering, the Fund currently intends to adjust leverage in its portfolio from time to time through the CFA. The Fund may also enter into transactions other than those noted above that may give rise to other forms of leverage including, among others, derivative transactions, loans of portfolio securities, and when-issued, delayed delivery and forward commitment transactions. These other forms of leverage are not included in the 50% limitation on the use of leverage discussed above. Although it has no current intention to do so, the Fund may also determine to issue preferred shares to add leverage to its portfolio. See "Investment Objectives, Policies and Strategies – Leverage," "Special Considerations and Risk Factors—Risks of Investing in the Fund—Leverage and Borrowing Risk," and "Description of the Securities—Preferred Shares."

SPECIAL CONSIDERATIONS AND RISK FACTORS

The following summarizes some of the matters and risks that you should consider before investing in connection with this rights offering. See “Special Considerations and Risk Factors” for a more detailed discussion.

Risks of the Rights Offering:	Potential Dilution. If you do not exercise your Rights, you will, upon the completion of the rights offering, own a smaller proportional interest in the Fund than you do now and you will incur dilution of voting, as well as dilution of your share of any distributions made by the Fund, as a result of the rights offering. In addition, if you do not submit a subscription request pursuant to the Over-Subscription Privilege and the Fund issues Excess Shares, you may experience further dilution of ownership and voting, as well as further dilution of your share of any distributions made by the Fund. Also, because the Subscription Price per Share will be less than the then current NAV per Share, the completion of the rights offering will result in an immediate dilution of the NAV per Share for all existing shareholders, irrespective of whether they exercise all or any portion of their Rights. If the Subscription Price per Share is substantially less than the then current NAV per Share, such dilution could be substantial. The Fund cannot state precisely the extent of this dilution because the Fund does not know what the NAV per Share or the Subscription Price per Share will be when the rights offering expires, how many Shares will be subscribed for or the exact expenses of the rights offering. Any such dilution will disproportionately affect non-exercising shareholders. The impact of the rights offering on NAV per share is shown by the following examples assuming the August 15, 2013 NAV of $17.87 and closing market price discount to NAV of 8.79%, and a subscription price of $15.49 and estimated expenses related to the rights offering of $236,375. (As of August 26, 2013, the NAV per Share was $17.73 and the average of the volume weighted average sales price of a Share on the NYSE on August 26, 2013 and the four preceding trading days was $16.16 for an estimated Subscription Price of $15.35 per Share.) Scenario 1 assumes that the offering is fully subscribed and all Primary Subscription Shares (but no Secondary Subscription Shares) are issued:

Reduction in NAV ($) $0.62
Reduction in NAV (%) 3.47%

Scenario 2 assumes that all Primary Subscription Shares and all Secondary Subscription Shares are issued:

Reduction in NAV ($)	$0.73
Reduction in NAV (%)	4.09%

If the Subscription Price per Share is lower than NAV per Share by an even larger margin than in the example above, dilution would be even more substantial. For example, assuming an NAV of $17.87 and a Subscription Price of $13.96 (based upon the highest closing market discount to NAV at which the Shares have traded as set forth in the table under “Market Price Information”, or 17.75%) and estimated expenses related to the rights offering of $236.375, the impact of the rights offering on NAV per share would be as follows:

Scenario 1 assumes that the offering is fully subscribed and all Primary Subscription Shares (but no Secondary Subscription Shares) are issued:

Reduction in NAV ($)	$1.01
Reduction in NAV (%)	5.65%

Scenario 2 assumes that all Primary Subscription Shares and all Secondary Subscription Shares are issued:

Reduction in NAV ($)	$1.18
Reduction in NAV (%)	6.60%

Potential Reduction in Distributions Paid from Ordinary Income. The Fund’s distributions reflect its managed distribution policy to provide shareholders with a relatively stable cash flow and to attempt to reduce or eliminate the Fund’s market price discount to its NAV per share. The policy may be changed or discontinued without notice. The distributions are paid from ordinary income and any net realized capital gains, with the balance, if any, representing return of capital. The Fund’s distributions are not tied to its net investment income and net realized capital gains and do not represent yield or investment return. The rights offering could reduce the portion of the Fund’s distributions paid from ordinary income and increase the balance representing return of capital if the Fund is unable to invest the proceeds of the rights offering in securities paying the Fund income at levels at least equal to those currently held by the Fund.

Increase in Share Price Volatility; Decrease in Share Price. The rights offering may result in an increase in trading of the Shares, which may increase volatility in the market price of the Shares. The rights offering may result in an increase in the number of shareholders wishing to sell their Shares, which would exert downward price pressure on the price of Shares.

Under-Subscription. It is possible that the rights offering will not be fully subscribed. Under-subscription of the rights offering could have an impact on the net proceeds of the rights offering and whether the Fund achieves the benefits described under “The Rights Offering—Purpose of the Offering.”

Risks of Investing in the Fund:	Investment and Market Risk An investment in the Shares is subject to investment risk, including the possible loss of the entire principal amount that you invest. Your investment in Shares represents an indirect investment in the securities owned by the Fund. The value of these securities, like other market investments, may move up or down, sometimes rapidly and unpredictably, and these fluctuations are likely to have a greater impact on the value of the Shares during periods in which the Fund utilizes a leveraged capital structure. Recent Events. Recent developments in the U.S. and foreign financial markets and other market history suggest that economic, market, and specific investment analysis and forecasting is difficult, often wrong, and that even the assumptions of certain conditions cannot be relied on with any certainty. Assumptions regarding the regulation of these markets and the participants therein may change. The U.S. government and certain foreign governments have and may take unprecedented actions designed to support certain financial institutions or segments of the financial markets. Federal, state and other governments, their regulatory agencies or self-regulatory organizations may take actions that affect the regulation of the securities in which the Fund invests, or the issuers of such securities in which the Fund invests, in unforeseeable ways that could have a material adverse effect on the Fund's business and operations. Such legislation or regulation could limit or preclude the Fund's ability to achieve its investment objectives. Furthermore, volatile or adverse financial markets can expose the Fund to greater market and liquidity risk and potential difficulty in valuing portfolio instruments held by the Fund. Equity Securities Risk. Investing in the Fund involves equity risk, which is the risk that the securities held by the Fund will fall in market value due to adverse market and economic conditions, perceptions regarding the industries in which the issuers of securities held by the Fund participate, and the particular circumstances and performance of particular companies whose securities the Fund holds. The general risks associated with equity securities may be greater for equity securities issued by companies with smaller market capitalizations as these companies may have limited product lines, markets, or financial resources or may depend on a few key employees. Common Stock Risk. Although common stocks can generate higher average returns than debt and other equity securities, common stocks can also experience more volatility in those returns. An adverse event, such as an unfavorable earnings report, may depress the value of a particular common stock held by the Fund. Also, the prices of common stocks are sensitive to general movements in the stock market. A drop in the stock market may depress the price of common

stocks held by the Fund or to which the Fund has exposure. In the event of a company's liquidation, the holders of its common stock have rights to its assets only after bondholders, other debt holders, and preferred stockholders have been satisfied.

Credit Risk. This is the risk that an issuer of bonds and other debt securities will be unable to pay interest or principal when due. The prices of bonds and other debt securities are affected by the credit quality of the issuer. Below investment grade debt securities normally are lower quality and have greater credit risk because the companies that issue them typically are not as financially strong as companies that issue higher quality, investment grade debt securities. Changes in the financial condition of an issuer, general economic conditions, and specific economic conditions that affect a particular type of issuer can impact the credit quality of an issuer. Such changes may weaken an issuer's ability to make payments of principal or interest, or cause an issuer to fail to make timely payments of interest or principal. The downgrade of a security may further decrease its value, although a grade rating by a rating agency only represents the service's opinion as to the general credit quality of the security being rated and is not an absolute standard of quality or guarantee as to the creditworthiness of an issuer. Lower quality debt securities generally tend to be more sensitive to these changes than higher quality debt securities, but the lowest rating category of investment grade securities may have speculative characteristics as well. See "Additional Risks of Certain Securities—Below Investment Grade Securities" below. Credit risk also applies to securities issued by the U.S. government's agencies and instrumentalities that are not backed by the U.S. government's full faith and credit. Although securities backed by the full faith and credit of the U.S. government are generally considered to present minimal credit risk, credit risk may also apply to these securities.

Interest Rate Risk. Generally, when market interest rates rise, the prices of debt obligations fall, and vice versa. Interest rate risk is the risk that debt obligations and other instruments in the Fund's portfolio will decline in value because of increases in market interest rates. This risk may be particularly acute because market interest rates are currently near historically low levels. The prices of long-term debt obligations generally fluctuate more than prices of short-term debt obligations as interest rates change. The Fund's use of leverage will tend to increase interest rate risk.

Prepayment and Extension Risk. If interest rates fall, the principal on the debt securities held by the Fund may be paid earlier than expected. If this happens, the proceeds from a prepaid security may be reinvested by the Fund in securities bearing lower interest rates, resulting in a possible decline in the Fund's income and distributions to shareholders. Alternatively, the Fund is subject to the risk that an issuer will exercise its right to pay principal on an obligation held by that Fund later than expected. This may happen when there is a rise in interest rates. These events may lengthen the duration (i.e., interest rate sensitivity) and potentially reduce the value of these securities.

Corporate Bonds Risk. The Fund's investments in corporate bonds are subject to a number of the risks described in this prospectus, including credit risk, interest rate risk, prepayment and extension risk, inflation risk, deflation risk, below investment grade securities risk, foreign securities risk, illiquid and restricted securities risk, valuation risk, and management risk.

Leverage and Borrowing Risk. Borrowing for investment purposes creates an opportunity for increased return, but at the same time, involves special risk considerations. Borrowing increases the likelihood of greater volatility of NAV and market price of the Shares. If the return that the Fund earns on the additional securities purchased fails to cover the interest and fees incurred on the monies borrowed, the NAV of the Fund (and the return of the Fund) would be lower than if borrowing had not been incurred. In addition, when the Fund borrows at a variable interest rate, there is a risk that fluctuations in the interest rate may adversely affect the return to the Fund's shareholders. Interest payments and fees incurred in connection with such borrowings will reduce the amount of net income available for distribution to shareholders. There is no assurance that a borrowing strategy will be successful during any period in which it is employed. Borrowing on a secured basis results in certain additional risks. Should securities that are pledged as collateral to secure the loan decline in value, the Fund may be required to pledge additional assets in the form of cash or securities to the lender to avoid liquidation of the pledged assets. In the event of a steep drop in the value of pledged securities, it might not be possible to liquidate assets quickly enough and this could result in mandatory liquidation of the pledged assets in a declining market at relatively low prices. Furthermore, the Investment Manager's ability to sell the pledged securities is limited by the terms of the CFA and a lending agreement ("Lending Agreement") with BNP, which may reduce the Fund's investment flexibility over the pledged securities. The rights of the lender to receive payments of interest on and repayments of principal will be senior to the rights of the Fund's shareholders.

Inflation/Deflation Risk. Inflation risk is the risk that the value of assets or income from the Fund's investments will be worth less in the future as inflation decreases the present value of fixed payments at future dates. Deflation risk is the risk that prices throughout the economy may decline over time —the opposite of inflation. Deflation may have an adverse effect on the creditworthiness of issuers and may make issuer default more likely, which may result in a decline in the value of the Fund's portfolio.

Additional Risks of Certain Securities

Below Investment Grade Securities. Below investment grade securities are commonly referred to as "junk bonds." Below investment grade securities are regarded as being predominantly speculative as to the issuer's ability to make payments of principal and interest. The risks associated with acquiring the securities of such issuers generally are greater than is the case with higher rated securities. For example, during an economic downturn or a sustained period of rising interest rates, issuers of below investment grade securities may be more likely to experience financial stress, especially if such issuers are highly leveraged. During periods of economic downturn, such issuers may not have sufficient revenues to meet their interest payment obligations. The issuer's ability to service its debt obligations also may be adversely affected by specific issuer developments, the issuer's inability to meet specific projected business forecasts, or the unavailability of additional financing. Therefore, there can be no assurance that in the future there will not exist a higher default rate relative to the rates currently existing in the market for below investment grade securities. The risk of loss due to default by the issuer is significantly greater for the holders of below investment grade securities because such securities may be unsecured and may be subordinate to other creditors of the issuer.

Below investment grade securities have been in the past, and may again in the future be, more volatile and less liquid than higher rated fixed income securities, so that adverse economic events may have a greater impact on the prices of below investment grade securities than on higher rated fixed income securities.

Sale of Covered Call Options. A decision as to whether, when and how to use covered call options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful because of market behavior or unexpected events. The use of options may require the Fund to sell 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 it might otherwise sell. As the writer of a covered call option on an underlying security, the Fund forgoes, during the option's life, the opportunity to profit from increases in the market value of the security covering the call option above the exercise price of the call option, but has retained the risk of loss should the price of the underlying security decline. Although such loss would be offset in part by the option premium received, in a situation in which the price of a particular stock on which the Fund has written a covered call option declines rapidly and materially or in which prices in general on all or a substantial portion of the stocks on which the Fund has written covered call options decline rapidly and materially, the Fund could sustain material depreciation or loss in its net assets to the extent it does not sell the underlying securities (which may require it to terminate, offset or otherwise cover its option position as well). There can be no assurance that a liquid market will exist when the Fund seeks to close out an option position. If the Fund were unable to close out a covered call option that it had written on a security, it would not be able to sell the underlying security unless the option expired without exercise. In addition, the Fund’s ability to terminate over-the-counter options may be more limited than with exchange-traded options and may involve the risk that counterparties participating in such transactions will not fulfill their obligations.

Real Estate Investment Trusts. REITs are financial vehicles that pool investors’ capital to purchase or finance real estate. The market value of REIT shares and the ability of REITs to distribute income may be adversely affected by numerous factors, including rising interest rates, changes in the national, state and local economic climate and real estate conditions, perceptions of prospective tenants of the safety, convenience and attractiveness of the properties, the ability of the owners to provide adequate management, maintenance and insurance, the cost of complying with the Americans with Disabilities Act, increasing competition and compliance with environmental laws, changes in real estate taxes and other operating expenses, adverse changes in governmental rules and fiscal policies, adverse changes in zoning laws, and other factors beyond the control of the issuers. In addition, distributions received by the Fund from REITs may be attributable to net investment income, net realized capital gains, and/or returns of capital. Dividends paid by REITs generally do not qualify for the reduced federal income tax rates applicable to “qualified dividend income” under the Internal Revenue Code of 1986, as amended (“Code”). See “Tax Considerations” in the SAI. REITs are subject to interest rate risk and prepayment risk. Changes in prevailing interest rates affect not only the value of REIT shares but may impact the market value of the REIT’s investment real estate. Investing in REITs also involves certain unique risks in addition to those risks associated with investing in the real estate industry in general. REITs are dependent upon the skills of their managers and are not diversified. REITs are generally dependent upon maintaining cash flows to repay borrowings and to make distributions to stockholders and are subject to the risk of default by lessees or borrowers. REITs may have limited financial resources and may trade less frequently and in a more limited volume, and may be subject to more abrupt or erratic price movements, than larger company securities.

Securities of Other Investment Companies. An investment in shares of other investment companies involves substantially the same risks as investing directly in the underlying instruments that such investment companies hold and the risk that the price of the shares of the investment company can fluctuate up or down. There can be no assurance that the investment objective of any investment company in which the Fund invests will be achieved. Consequently, the Fund could lose money investing in another investment company if the prices of the securities owned by the investment company decline in value.

In addition, the closed end funds, ETFs, and BDCs in which the Fund may invest are subject to the following risks that do not apply to open end funds: (i) market price of shares may trade above or below their NAV; (ii) an active trading market for shares may not develop or be maintained; and (iii) trading of shares may be halted. In the case of leveraged closed end funds, their share price and NAV may fluctuate to a greater extent and be more volatile than un-leveraged closed end funds. All investment companies incur advisory fees and other expenses. The Fund, as a stockholder, will indirectly bear its pro rata portion of such fees and expenses addition to the Fund's direct fees and expenses, so shareholders of the Fund will be subject to duplication of fees on investments by the Fund in other investment companies.

Securities of Small and Mid-Capitalization Companies. The Fund may invest in companies with small or mid sized capital structures (generally a market capitalization of $5 billion or less). Accordingly, the Fund may be subject to the additional risks associated with investment in these companies. The market prices of the securities of such companies tend to be more volatile than those of larger companies. Further, these securities tend to trade at a lower volume than those of larger more established companies. If the Fund is heavily invested in these securities and the value of these securities suddenly declines, that Fund will be susceptible to significant losses.

Preferred Stocks. In addition to equity securities risk and possibly below investment grade securities risk, investment in preferred stocks involves certain other risks. Certain preferred stocks contain provisions that allow an issuer under certain conditions to skip or defer distributions. Preferred stocks often are subject to legal provisions that allow for redemption in the event of certain tax or legal changes or at the issuer's call. In the event of redemption, the Fund may not be able to reinvest the proceeds at comparable rates of return. Preferred stocks are subordinated to bonds and other debt securities in an issuer's capital structure in terms of priority for corporate income and liquidation payments, and therefore will be subject to greater credit risk than those debt securities. Preferred stocks may trade less frequently and in a more limited volume and may be subject to more abrupt or erratic price movements than many other securities, such as common stocks, corporate debt securities and U.S. government securities.

Convertible Securities. Convertible securities generally have less potential for gain or loss than common stocks. Convertible securities generally provide yields higher than the underlying common stocks, but generally lower than comparable nonconvertible securities. Because convertible securities may also be interest rate sensitive, their value may increase as interest rates fall and decrease as interest rates rise. Convertible securities are also subject to credit risk, and are often lower-quality securities.

Foreign Securities. The Fund may invest in securities of issuers domiciled outside the United States. Investing in the securities of foreign companies may involve additional risks and considerations that are not typically associated with investing in the securities of U.S. companies. Since the securities of foreign companies are normally denominated in foreign currencies, the Fund may be affected favorably or unfavorably by changes in currency rates and in exchange control regulations, and may incur costs in connection with conversions between various currencies. As foreign companies are not generally subject to uniform accounting, auditing, and financial reporting standards and practices comparable to those applicable to U.S. companies, comparable information may not be readily available about certain foreign companies. Some securities of foreign companies may be less liquid and more volatile than securities of comparable U.S. companies. In addition, in certain foreign countries there is the possibility of expropriation or confiscatory taxation, political, or social instability, or diplomatic developments that could affect U.S. investments in the securities of issuers domiciled in those countries.

U.S. Government Securities. Historically, U.S. government securities have not been perceived to involve the general credit risks associated with investments in other types of debt securities and, as a result, the yields available from U.S. government securities are generally lower than the yields available from other debt securities. Like other debt securities, however, the values of U.S. government securities change as interest rates fluctuate. Fluctuations in the value of portfolio securities will not affect interest income on existing portfolio securities but will be reflected in the Fund's NAV.

Illiquid and Restricted Securities. Liquidity relates to the ability of the Fund to sell a security in a timely manner at a price which reflects the value of the security. The relative illiquidity of some of the Fund's portfolio securities may adversely affect the ability of the Fund to dispose of such securities in a timely manner and at a fair price at times when it might be necessary or advantageous for the Fund to liquidate portfolio securities. The market for less liquid securities tends to be more volatile than the market for more liquid securities and market values of relatively illiquid securities may be more susceptible to change as a result of adverse publicity and investor perceptions than are the market values of more liquid securities. Restricted securities have contractual restrictions on their public resale, which may make it more difficult to value them, limit the Fund's ability to dispose of them, and lower the amount the Fund could realize upon their sale.

Counterparty Risk. The Fund will be subject to credit risk with respect to the counterparties to a derivatives contract, repurchase agreement, loan of portfolio securities or other obligation. While the Fund does not employ specific creditworthiness standards when selecting counterparties, it seeks to engage in transactions with creditworthy counterparties. Certain entities that have served as counterparties have incurred significant losses and financial hardships, including bankruptcy, as a result of their exposure to assets or third party counterparties that have suffered liquidity or credit deterioration. There can be no assurance that the Fund's counterparties will not experience similar difficulties, possibly resulting in losses to the Fund. The Fund has no limit on the amount of assets it may subject to any one counterparty.

Market Discount from Net Asset Value. Shares of closed end funds frequently trade at a discount from their NAV. This characteristic is a risk separate and distinct from the risk that the Fund's NAV could decrease as a result of its investment activities. This risk may be greater for investors expecting to sell their Shares in a relatively short period following completion of this rights offering since the NAV of the Shares will be reduced immediately following the rights offering because the Subscription Price will be below the NAV per Share on the Expiration Date and the Fund will bear the expenses of the rights offering. Whether an investor will realize gain or loss on the sale of Shares will depend not on fluctuations in the Fund's NAV per Share but entirely on whether the market price of the Shares at the time of sale is above or below the investor's purchase price for the Shares. Because the market price of the Shares will be determined by factors such as relative supply and demand for the Shares in the market, general market and economic conditions, and other factors beyond the control of the Fund, it cannot predict whether the Shares will trade at, below, or above their NAV. The Shares are designed primarily for long term investors and should not be considered a vehicle for trading purposes. The NAV of the Shares will fluctuate with price changes of the Fund's portfolio securities, and these fluctuations are likely to be greater in the case of a fund having a leveraged capital structure, such as the Fund.

Distribution Policy Risk. The Fund currently seeks to make distributions to shareholders on a regular basis. Such distributions are not tied to the Fund's investment income and capital gains and do not represent yield or investment return on the Fund's portfolio. To the extent that the amount distributed in cash exceeds the total net investment income of the Fund, the assets of the Fund will decline. A decline in Fund assets may result in an increase in the Fund's expense ratio. In addition, the maintenance of the Fund's distribution policy may cause the Fund's assets to be less fully invested than would otherwise be the case, which could reduce the Fund's total investment return. Furthermore, the Fund may need to raise additional capital in order to maintain the distribution policy.

Securities Lending Risk. Securities lending involves possible delay in recovery of the securities or possible loss of rights in the collateral should the borrower fail financially. As a result, the value of the Fund Shares may fall, and there may be a delay in recovering the loaned securities. The value of the Shares could also fall if a loan is called and the Fund is required to liquidate reinvested collateral at a loss or if the Investment Manager is unable to reinvest cash collateral at rates which exceed the costs involved.

Management Risk. The Fund is subject to management risk because it is an actively managed investment portfolio. The Investment Manager will seek to achieve the investment objectives of the Fund, but there can be no guarantee that it will do so.

Valuation Risk. Unlike most publicly traded common stocks which trade on national exchanges, bonds generally do not trade on a central exchange. Debt securities generally trade in the "over-the-counter" market. Due to the lack of centralized information and trading, the valuation of bonds may carry more risk than that of publicly traded common stock. Uncertainties in the conditions of the financial market, unreliable reference data, lack of transparency, and inconsistency of valuation models and processes may lead to inaccurate asset pricing. As a result, the Fund may be subject to the risk that when a security is sold in the market, the amount received by the Fund is less than the value of such security carried on the Fund's books.

Anti-Takeover Provisions. The Fund has certain provisions in its Amended and Restated Agreement and Declaration of Trust ("Trust Instrument") and Bylaws (together with the Trust Instrument, the "Governing Documents") that may be regarded as "anti-takeover" provisions. These provisions could have the effect of limiting (i) the ability of other entities or persons to acquire control of the Fund, (ii) the Fund's freedom to engage in certain transactions, (iii) the ability of the Fund's Trustees or shareholders to amend the Governing Documents or effectuate changes in the Fund's management, or (iv) the ability of the Fund's shareholders to make and arbitrate derivative claims against the Fund. The overall effect of these provisions is to render more difficult the accomplishment of a merger with, or the assumption of control by a shareholder, or the conversion of the Fund to open end status. These provisions may have the effect of depriving Fund shareholders of an opportunity to sell their Shares at a premium above the prevailing market price by discouraging a third party from seeking to obtain control of the Fund. See "Description of the Securities—Certain Anti-Takeover Provisions in the Governing Documents."

Status as a Regulated Investment Company: The Fund intends to continue to qualify for treatment as a "regulated investment company" (as defined in section 851(a) of the Code) ("RIC") under the Code. Qualification requires, among other things, compliance by the Fund with certain distribution requirements. See "Tax Considerations" in the SAI.

Investment Manager: Bexil Advisers LLC acts as the Fund's Investment Manager pursuant to an investment management agreement (the "Investment Management Agreement") between the Investment Manager and the Fund. The daily portfolio management of the Fund is provided by the

Investment Policy Committee of the Investment Manager. Under the terms of the Investment Management Agreement, the Fund pays the Investment Manager a fee at an annual rate of 0.95% of the Fund's managed assets and reimburses the Investment Manager for certain expenses.

The Investment Manager and its affiliates (the "Affiliated Parties") may also purchase Shares through the rights offering on the same terms as other shareholders to the extent any such Affiliated Party is a Record Date shareholder of the Fund.

Potential Conflicts of Interest. Because the Investment Manager receives a fee based on the Fund's assets, the Investment Manager will benefit from any increase in assets that results from the rights offering. See "Management of the Fund – The Investment Manager." Although the Fund is not obligated to deal with any particular broker, dealer, or group thereof, certain broker/dealers that the Affiliated Parties do business with may from time to time own more than 5% of the publicly traded common stock of the Affiliated Parties.

Share Repurchases and Tender Offers:	If Shares publicly trade for a substantial period of time at a substantial discount from the Fund's then current NAV per share, the Board may consider, from time to time, authorizing various actions designed to reduce the discount, which may include periodic repurchases of, or tender offers for, the Shares. No assurance can be given that the Board will undertake any such action or that if repurchases are made, the Shares will thereafter trade at a price that is close to or equal to NAV. Under certain circumstances, a shareholder vote may be required to authorize periodic repurchases of the Shares. See "Description of the Securities– Share Repurchases and Tender Offers."
Distribution Policy:	The Fund has a managed distribution policy to provide shareholders with a relatively stable cash flow and to attempt to reduce or eliminate the Fund's market price discount to its NAV per share. The policy may be changed or discontinued without notice. The distributions are paid from ordinary income and any net realized capital gains, with the balance representing return of capital. (If, for any distribution, the sum of previously undistributed net investment income and net realized capital gains is less than the amount of the distribution, the difference, i.e., the return of capital, will be charged against the Fund's capital.) The Fund's distributions are not tied to its net investment income and net realized capital gains and do not represent yield or investment return. The Fund's final distribution for each calendar year will include any remaining net investment income undistributed during the year, as well as all net capital gains realized during the year. See "Tax Considerations" in the SAI. If, for any taxable year of the Fund (which ends on December 31), the total distributions exceed the sum of the Fund's net investment income and net realized short and long term capital gains, the excess will generally be treated first as ordinary dividend income (up to the amount, if any, of the Fund's current and accumulated earnings and profits, which takes into account taxable distributions) and then as a return of capital (tax-free for a shareholder up to the amount of its tax basis in its Shares). The amount treated as a tax-free return of capital will reduce a shareholder's adjusted basis in its Shares, thereby increasing the shareholder's potential gain or reducing its potential loss on the subsequent sale of those Shares. This distribution policy may, under certain circumstances, have certain adverse consequences to the Fund and its shareholders. Distributions to the Fund's shareholders will only be payable after the payment of any interest on the Fund's outstanding debt. See "Distribution Policy" in this prospectus and "Tax Considerations" in the SAI.
Dividend Reinvestment Plan:	The Fund has a Dividend Reinvestment Plan. Under the plan, all dividends and other distributions are automatically reinvested in additional Shares unless a shareholder elects to receive them in cash.

See "Dividend Reinvestment Plan."

Custodian and Transfer Agent	State Street Bank and Trust Company acts as Custodian of the Fund's investments and may appoint one or more sub-custodians. The Custodian is responsible for the safekeeping of Fund assets and, with its affiliates, acts as a securities lending and borrowing agent and a securities broker for portfolio transactions by the Fund. American Stock Transfer & Trust Company, LLC acts as the Fund's Transfer and Dividend Disbursing Agent.

FEES AND EXPENSES

Shareholder Transaction Expenses	
Sales Load (as a percentage of offering price)(1)	None
Offering Expenses(2)	0.75%
Dividend Reinvestment and Cash Purchase Plan Fees(3)	None
Annual Expenses (as a percentage of net assets attributable to shares)	
Management Fees(4)	1.14%
Interest Payments on Borrowed Funds(5)	0.18%
Other Expenses(6)	0.55%
Acquired Fund Fees and Expenses(7)	None
Total Annual Fund Operating Expenses(8)	1.87%

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(1) This is not an underwritten offering and there will be no underwriting discounts or commissions. Shareholders who exercise their Rights through an intermediary, such as a broker, bank, or trust company, or other financial institution or nominee may incur a servicing fee charged by such intermediary.

(2) These offering expenses will be borne by the Fund and indirectly by all of the Fund's shareholders, including those who do not exercise their Rights.

(3) See "Dividend Reinvestment Plan."

(4) The Fund pays an investment advisory fee to the Investment Manager at an annual rate of 0.95% of the Fund's Managed Assets. "Managed Assets" means the average weekly value of the Fund's total assets minus the sum of the Fund's liabilities, which liabilities exclude debt relating to leverage, short term debt and the aggregate liquidation preference of any outstanding preferred stock. In calculating the Management Fee rate based on net assets, the Fund derived the amount of Management Fees by assuming leverage to net assets at the average level employed during the period from the commencement of the Fund's current fiscal year on January 1, 2013 through June 30, 2013, and determined net assets attributable to shares by subtracting from total assets debt relating to leverage, short term debt and the aggregate liquidation preference of any outstanding preferred stock, and other liabilities.

(5) The amount shown reflects estimated costs of borrowing under the CFA and Lending Agreement.

(6) The costs of lending the Fund's portfolio securities are not included in the table. "Other Expenses" are based on estimated amounts for the current year assuming completion of the rights offering.

(7) Fund shareholders will bear indirectly acquired fund fees and expenses to the extent of the Fund's investment in other investment companies.

(8) The expense ratio assumes that the offering is fully subscribed and all Primary Subscription Shares (but no Secondary Subscription Shares) are issued.

Example

The following example illustrates the expenses that you would pay on a $1,000 investment in Shares, assuming (1) a 5% annual return, (2) the Fund incurs annual expenses at the levels set forth in the table above, and (3) reinvestment of all dividends and other distributions at NAV.

1 year	3 years	5 years	10 years
$19	$59	$101	$219

The purpose of the table and example above is to help you understand the various costs and expenses that an investor in the Fund may bear directly or indirectly. The example should not be considered a representation of future expenses. The Fund's actual expenses may be more or less than those shown and the Fund's actual rate of return will vary and may be higher or lower than the hypothetical 5% annual return used to calculate the example.

FINANCIAL HIGHLIGHTS

The table below sets forth certain specified information for a Share outstanding throughout each period presented. This information is derived from the financial and accounting records of the Fund. The financial highlights for the fiscal year ended December 31, 2012, the one month ended December 31, 2011, and the year ended November 31, 2011 have been audited by Tait, Weller & Baker LLP, an independent registered public accounting firm. The prior financial highlights for the fiscal years ended November 30, 2003 through November 30, 2010 were audited by other independent registered public accounting firms, whose reports with respect to those periods were unqualified. The information below should be read in conjunction with the Fund's audited financial statements and the accompanying notes thereto for the fiscal year ended December 31, 2012, which, together with the report of the Fund's independent registered public accounting firm, have been incorporated by reference in the SAI. The Annual and Semi-Annual Reports are available without charge by calling the Information Agent toll-free at 1-877-265-2368

Per share data, including the proportionate impact to market price has been restated to reflect the effects of a 1-for-4 reverse stock split effective as of the start of trading on the NYSE on December 10, 2012.

			For the Years Ended November 30,								
Per Share Operating Performance (for a share outstanding throughout each period)	Year Ended Dec 31, 2012	One Month Ended Dec 31, 2011(1)	2011	2010	2009	2008	2007	2006	2005	2004	2003
Net asset value, beginning of period	$15.48	$16.88	$17.36	$16.76	$14.68	$32.64	$38.20	$34.60	$35.84	$34.08	$29.88
Income from investment operations: (2)											
Net investment income	.56	.08	.96	.80	.84	2.24	3.20	2.52	.2.44	2.20	2.40
Net realized and unrealized gain (loss) on investments	1.12	.20	(.08)	1.44	2.88	(16.76)	(5.20)	4.80	.32	3.56	5.80
Total income from investment operations	1.68	.28	.88	2.24	3.72	(14.52)	(2.00)	7.32	2.76	5.76	8.20
Less distributions:											

Net investment income	(.56)	(.08)	(.92)	(1.40)	(1.56)	(2.36)	(3.36)	(3.72)	(2.12)	(2.16)	(2.44)
Capital gains	--	--	--	--	--	--	--	--	(.04)	(1.84)	--
Tax return of capital	(1.07)	(.32)	(.44)	(.24)	(.08)	(1.08)	(.20)	--	(1.84)	--	(1.56)
Total distributions	(1.63)	(.40)	(1.36)	(1.64)	(1.64)	(3.44)	(3.56)	(4.00)	(4.00)	(4.00)	(4.00)
Fund share transactions											
Decrease in net asset value from rights offering	--	(1.28)	--	--	--	--	--	--	--	--	--
Net asset value, end of period (3)	$15.53	$15.48	$16.88	$17.36	$16.76	$14.68	$32.64	$38.20	$34.60	$35.84	$34.08

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Per share data, including the proportionate impact to market price has been restated to reflect the effects of a 1-for-4 reverse stock split effective as of the start of trading on the NYSE on December 10, 2012.

Per Share Operating Performance (for a share outstanding throughout each period)	Year Ended Dec 31, 2012	One Month Ended Dec 31, 2011(1)	For the Years Ended November 30, 2011	2010	2009	2008	2007	2006	20
Market value, end of period	$13.53	$13.72	$13.84	$16.92	$14.60	$10.40	$29.40	$39.12	$42.
Total Return: (4)									
Based on net asset value	12.67 %	(5.52)%	5.61 %	14.55 %	29.42 %	(47.75)%	(6.05)%	22.51 %	8.1
Based on market value	10.75 %	2.13 %	(11.15)%	28.17 %	59.14 %	(58.90)%	(17.19)%	0.36 %	18.
Ratios/Supplemental Data: (5)									
Net assets, end of period (000's omitted)	$93,951	$93,123	$71,329	$73,322	$70,853	$62,022	$137,953	$160,613	$14
Ratios to average net assets of:									
Total expenses (6)	2.57 %	2.09 % *	2.02 %	2.63 %	3.01 %	3.62 %	3.75 %	3.69 %	3.0
Net expenses (7)	2.57 %	2.09 % *	2.00 %	2.50 %	2.89 %	3.47 %	3.62 %	3.55 %	2.9
Net expenses excluding interest expense and fees on bank credit facility	2.30 %	1.78 % *	1.73 %	--	--	--	--	--	--
Total expenses excluding commercial paper interest expense and fees (8)	N/A	N/A	N/A	2.20 %	2.03 %	1.91 %	1.70 %	1.71 %	1.7
Net expenses excluding commercial paper interest expense and fees (8)	N/A	N/A	N/A	2.07 %	1.91 %	1.76 %	1.56 %	1.57 %	1.5
Commercial paper fees and interest expense (8)	N/A	N/A	N/A	0.43 %	0.98 %	1.71 %	2.06 %	1.98 %	1.3
	3.56 %	6.28 % *	5.44 %	4.73 %	5.43 %	8.62 %	8.52 %	6.96 %	7.0

Net investment income									
Portfolio turnover rate	13 %	0 %	24 %	51 %	73 %	54 %	74 %	96 %	80
Leverage analysis (000's omitted): Outstanding loan balance under the bank credit facility, end of period	$21,348	$17,815	$18,209	$20,000	N/A	N/A	N/A	N/A	N/

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Per share data, including the proportionate impact to market price has been restated to reflect the effects of a 1-for-4 reverse stock split effective as of the start of trading on the NYSE on December 10, 2012.

			For the Years Ended November 30,								
Per Share Operating Performance (for a share outstanding throughout each period)	Year Ended Dec 31, 2012	One Month Ended Dec 31, 2011(1)	2011	2010	2009	2008	2007	2006	2005	2004	2003
Aggregate amount of commercial paper outstanding, end of period	N/A	N/A	N/A	N/A	$						