

DIVIDEND & INCOME FUND

Form 497

September 28, 2015

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Registration Nos. 333-203126 and 811-08747

PROSPECTUS SUPPLEMENT

To Prospectus dated September 16, 2015

DIVIDEND AND INCOME FUND

Up to 2,900,000 Shares of Beneficial Interest (\$0.01 par value per Share)

Issuable Upon Exercise of Non-Transferable Rights to Subscribe for Shares

Dividend and Income Fund (the "Fund") is issuing non-transferable subscription 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 September 28, 2015 (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 (described below). 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 market value, and potentially below net asset value ("NAV"), without paying any commissions. The subscription price per Share (the "Subscription Price") will be based on a formula equal to 95% of the market price per Share (the "Formula Price"). For this purpose, the market price per Share will be the average of the last reported sales price of a Share on the NYSE on October 30, 2015, unless terminated or extended (the "Expiration Date"), and the four preceding trading days. If, however, the Formula Price is less than 80% of the NAV per Share on the Expiration Date, then the Subscription Price will be 80% of the NAV per Share on such date. 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 holders of Rights may subscribe in aggregate for up to 2,900,000 Shares, which the Fund may increase through the exercise of an over-allotment option by up to 25%, or up to an additional 725,000 Shares, for an aggregate total of up to 3,625,000 new Shares.

The Fund's currently outstanding Shares are, and the Shares offered by this Prospectus Supplement and the accompanying Prospectus will be, subject to notice of issuance, listed on the NYSE under the symbol "DNI." The last reported sale price of Shares, as reported by the NYSE on August 31, 2015, was \$12.44 per Share. The NAV per Share as of the close of business on August 31, 2015 was \$14.63.

The Fund is a Delaware statutory trust registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as a non-diversified, closed end management investment company. The Fund's primary investment objective is to seek high current income. Capital appreciation is a secondary objective. There is no assurance the Fund will achieve its investment objectives. The Fund's investment manager is Bexil Advisers LLC (the "Investment Manager").

Any Shares issued as a result of the Rights offering will not be record date Shares for the Fund's quarterly distribution to be paid on September 30, 2015 and will not be entitled to receive such distribution.

Exercising your Rights and investing in Shares involves risks. Please see "Special Characteristics and Risks of the Rights Offering" beginning on page R-18 of this Prospectus Supplement, and "Special Considerations and Risk Factors" beginning on page 28 of the accompanying Prospectus, to learn more about the risks you should carefully consider before investing.

Shareholders who do not fully exercise their Rights will, upon the completion of the Rights offering, own a smaller proportional interest in the Fund than they owned prior to the Rights offering, resulting in immediate ownership and voting dilution for such shareholders. In addition, because the expenses associated with the Rights offering will be borne by the Fund (and indirectly by all shareholders, including those who do not exercise their Rights), such expenses will result in an immediate dilution of the NAV per Share for all existing shareholders (i.e., will cause the NAV of the Fund to decrease). Furthermore, if the Subscription Price per Share is less than the NAV per Share as of the Expiration Date, the completion of the Rights offering will result in additional dilution of the NAV per Share for

all existing shareholders, and may have the effect of reducing the market price of the Fund's Shares. The Fund cannot state precisely the extent of the dilution of the Fund's NAV per Share because the Fund does not know what

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the Subscription Price or the NAV per Share will be when the Rights offering expires, how many Shares will be subscribed for, the exact expenses of the Rights offering, or whether the Fund will exercise its over-allotment option. Any such dilution will disproportionately affect shareholders who choose not to exercise their Rights. If the Subscription Price is substantially less than the current NAV, this dilution could be substantial. For further information on the effect of dilution, see "Special Characteristics and Risks of the Rights Offering" on page R-18 of this Prospectus Supplement.

	Per Share	Total ⁽⁴⁾
Estimated Subscription Price ⁽¹⁾	\$ 11.70	\$ 33,930,000
Estimated Underwriting Discounts and Commissions/Sales Load ⁽²⁾	None	None
Estimated Proceeds, before expenses, to the Fund ⁽³⁾	\$ 11.70	\$ 33,930,000

Estimated on the basis of 95% of the average of the last reported sales price of a Share on the NYSE on August 31, 2015 and the four preceding trading days. Rights holders will not know the Subscription Price at the time of (1) exercise and will be required initially to pay for both the Shares subscribed for pursuant to the primary subscription and any additional Shares subscribed for pursuant to the over-subscription privilege at the estimated price of \$11.70 per Share.

(2) The Rights are being offered directly by the Fund without the services of an underwriter or sales agent.

Offering expenses borne by the Fund are estimated to be approximately \$310,000 in the aggregate, or \$0.11 per Share (assuming the Rights offering is fully subscribed, but excluding the effect of the Fund increasing the number of Shares subject to subscription pursuant to the exercise of the over-allotment option). After deduction of such expenses, the per Share and total proceeds to the Fund are estimated at \$11.59 and \$33,620,000, respectively. If the Fund increases the number of Shares subject to subscription pursuant to the exercise of the over-allotment option, (3) offering expenses are estimated to be approximately \$310,000 in the aggregate, or \$0.09 per Share, and after deduction of such expenses, the per Share and total proceeds to the Fund are estimated at \$11.61 and \$42,102,500, respectively. Offering expenses will be borne by the Fund and indirectly by all of its shareholders, including those who do not exercise their Rights. Accordingly, such expenses will immediately reduce the NAV per Share of the Fund.

Assumes that the Rights offering is fully subscribed (excluding the effect of the exercise of the over-allotment option) at the estimated Subscription Price. All of the Rights may not be exercised. Pursuant to the over-allotment option, the Fund may, at the discretion of its Board of Trustees, increase the number of Shares subject to (4) 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 \$11.70 and the Total Estimated Proceeds to the Fund (before expenses) will be \$42,412,500.

This Prospectus Supplement and the accompanying Prospectus set forth concisely information you should know before investing. Please read them carefully before investing and keep them for future reference. Additional information about the Fund, including a Statement of Additional Information dated September 16, 2015 ("SAI"), has been filed with the Securities and Exchange Commission ("SEC") and is incorporated by reference in its entirety into the accompanying Prospectus. This Prospectus Supplement describes the specific details regarding this offering. If information in this Prospectus Supplement is inconsistent with the accompanying Prospectus or the SAI, you should rely on this Prospectus Supplement. You may obtain additional information about the Fund, including its SAI and annual and semi-annual reports, without charge (i) upon request, by calling 1-855-411-6432; (ii) on the Fund's website at <http://www.DividendandIncomeFund.com>; and (iii) on the SEC's website at <http://www.sec.gov>. You may make any other shareholder inquiries by calling the Fund at 1-855-411-6432. 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.

Inquiries regarding the Rights offering should be directed to AST Fund Solutions, LLC, the information agent for the Rights offering, toll free at 1-866-745-0268.

Neither the SEC nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy of this Prospectus Supplement or the accompanying Prospectus. Any representation to the contrary is a criminal offense.

The date of this Prospectus Supplement is September 28, 2015.

You should rely only on the information contained or incorporated by reference in this Prospectus Supplement and the accompanying Prospectus. The Fund has not authorized anyone to provide you with different information. The Fund is not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information in this Prospectus Supplement and any accompanying Prospectus is accurate only as of the date on the applicable cover page.

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CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus Supplement, the accompanying Prospectus and the SAI contain "forward-looking statements." Forward-looking statements can be identified by the words "may," "will," "intend," "expect," "estimate," "continue," "plan," "anticipate," and similar terms and the negative of such terms. By their nature, all forward-looking statements involve risks and uncertainties, and actual results could differ materially from those contemplated by the forward-looking statements. Several factors that could materially affect the Fund's actual results are the performance of the portfolio of securities the Fund holds, the conditions in the U.S. and international financial and other markets, the price at which the Shares will trade, and other factors discussed in the Fund's periodic filings with the SEC.

Actual results could differ materially from those projected or assumed in the forward-looking statements. The Fund's future financial condition and results of operations, as well as any forward-looking statements, are subject to change and are subject to inherent risks and uncertainties, such as those disclosed in the "Special Considerations and Risk Factors" section of the accompanying Prospectus. All forward-looking statements contained or incorporated by reference in this Prospectus Supplement and the Prospectus are made as of the date set forth on the applicable cover page. Except for the Fund's ongoing obligations under the federal securities laws, the Fund does not intend, and it undertakes no obligation, to update any forward-looking statement. Any forward-looking statements contained in this Prospectus Supplement and the Prospectus are excluded from the safe harbor protection provided by Section 27A of the Securities Act of 1933, as amended (the "Securities Act").

Currently known risk factors that could cause actual results to differ materially from the Fund's expectations include, but are not limited to, the factors described in the "Special Characteristics and Risks of the Rights Offering" section of this Prospectus Supplement and the "Special Considerations and Risk Factors" section of the accompanying Prospectus. You are urged to review carefully these sections for a more complete discussion of the risks of an investment in the Shares.

SUMMARY OF THE TERMS OF THE RIGHTS OFFERING

Dividend and Income Fund (the "Fund") is issuing non-transferable subscription rights (the "Rights") to its shareholders of record as of 5:00 p.m., ET, on September 28, 2015 (the "Record Date"), entitling the holders of such Rights to subscribe for up to an aggregate of 2,900,000 shares of beneficial interest of the Fund (the "Shares"). Holders of Shares on the Record Date ("Record Date Shareholders") will receive one Right for each Share held on the Record Date, rounded up to the nearest number of Rights evenly divisible by three. The Rights entitle their holders to purchase one new Share for every three Rights held, plus in certain circumstances additional new Shares pursuant to the Over-Subscription Privilege (defined below). The Fund will not issue fractional Shares upon the exercise of fewer than three Rights. Assuming the exercise of all Rights, the offering will result in an approximately 33% increase in the Fund's Shares outstanding. A Record Date Shareholder's right to acquire one Share for every three Rights is referred to as the "Primary Subscription" and the Shares issued through the Primary Subscription are referred to as "Primary Subscription Shares." If a Record Date Shareholder exercises all of the Rights he or she received in the Primary Subscription, that shareholder may also subscribe for additional Shares pursuant to the Over-Subscription Privilege (defined below). The Rights offering is not contingent upon any number of Rights being exercised. See "Description of the Rights Offering—Terms of the Rights Offering."

The Board of Trustees of the Fund (the "Board") 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.

Purpose of
the Offering

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 the then current market price, and potentially below 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, among other things, 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) 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) 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 the Fund's prior rights offerings in 2011 and 2013, both of which were oversubscribed, resulted in the Fund issuing an additional 1,774,988 (split adjusted) and 2,529,317 Shares, respectively.

Subscription
Price

The subscription price per Share (the "Subscription Price") will be based on a formula equal to 95% of the market price per Share (the "Formula Price"). For this purpose, the market price per Share will be the average of the last reported sales price of a Share on the New York Stock Exchange ("NYSE") on the Expiration Date (defined below) and the four preceding trading days. If, however, the Formula Price is less than 80% of the Fund's NAV per Share on the Expiration Date, then the Subscription Price will be 80% of the NAV per Share on such date. As of August 31, 2015, the average of the last reported sales price of a Share on the NYSE on August 31, 2015 and the four preceding trading days was \$12.32 and the NAV per Share was \$14.63, for an estimated Subscription Price of \$11.70 per Share. Because the Expiration Date is the last day of the Subscription Period, Rights holders will not know the actual Subscription Price at the time they exercise such Rights and will, therefore, be required initially to pay for both the Shares subscribed for pursuant to the Primary Subscription and any additional Shares subscribed for pursuant to the Over-Subscription Privilege, at the estimated Subscription Price of \$11.70 per Share. See "Description of the Rights Offering—Terms of the Rights Offering."

Subscription
Period

Rights may be exercised at any time during the offering period (the "Subscription Period") which starts on September 28, 2015, and ends at 5:00 p.m., ET, on October 30, 2015 (the "Expiration Date"), unless the Rights offering is terminated or extended. See "Description of the Rights Offering—Terms of the Rights Offering," "Description of the Rights Offering—Expiration of the Offering," and "Description of

the Rights Offering—Termination of the Offering."

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Notice of NAV Decline

As required by the SEC, the Fund will suspend the Rights offering until the Fund amends this Prospectus Supplement if, after September 16, 2015 (the effective date of the Fund's registration statement relating to this offering), the Fund's NAV declines more than 10% from the Fund's NAV as of that date. In such event, the Expiration Date will be extended and the Fund will notify Record Date Shareholders of the decline and permit exercising Rights holders to cancel their exercise of Rights. See "Description of the Rights Offering—Notice of Net Asset Value Decline."

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 at the same Subscription Price. If enough Primary Subscription Shares are available, all such requests will be honored in full. If the over-subscription requests exceed the Primary Subscription Shares available, 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 pursuant to the exercise of an over-allotment option (the "Secondary Subscription Shares") for an aggregate total of up to 3,625,000 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. See "Description of the Rights Offering—Over-Subscription Privilege" and "Description of the Rights Offering—Allocation of Excess Shares."

Method for Exercising Rights

Rights are evidenced by subscription certificates (each, a "Subscription Certificate") that will be mailed to Record Date Shareholders (except as described below with regard to Foreign Shareholders (as defined below)) or, if their Shares are held by Cede & Co. ("Cede") or any other depository or nominee, to Cede or such other depository or nominee. Rights may be exercised by completing and signing the Subscription Certificate and mailing it in the envelope provided, or otherwise delivering the completed and signed Subscription Certificate to the Subscription Agent, together with payment in full of the estimated Subscription Price for the Shares subscribed for. Completed Subscription Certificates and payments must be received by the Subscription Agent by 5:00 p.m., ET, on the Expiration Date at the offices of the Subscription Agent. Rights also may be exercised by contacting your broker, bank, trust company or other intermediary, which can arrange, on your behalf, to guarantee delivery of payment and of a properly completed and executed Subscription Certificate (referred to as a "Notice of Guaranteed Delivery"). A fee may be charged for this service by your broker, banker, trust company or other intermediary. In addition, your broker, bank, trust company or other intermediary may impose a deadline for exercising Rights earlier than 5:00 p.m., ET, on the Expiration Date. See "Description of the Rights Offering—Method for Exercising Rights" and "Description of the Rights Offering—Payment for Shares."

Rights holders who have exercised their Rights will have no right to rescind their subscription after receipt by the Subscription Agent of either the completed Subscription Certificate together with payment for Shares subscribed for or a Notice of Guaranteed Delivery.

Offering Expenses

The expenses of the Rights offering are expected to be approximately \$310,000 (assuming the Rights offering is fully subscribed, but excluding the effect of the issuance of any Secondary Subscription Shares). If the Fund increases the number of Shares subject to subscription pursuant to the over-allotment option for the full amount of Secondary Subscription Shares, offering expenses are estimated to be approximately \$310,000. The Fund will bear the expenses of the Rights offering and all such expenses will be borne indirectly by the Fund's shareholders, including those who do not exercise their Rights. Accordingly, such expenses will immediately reduce the NAV per Share of the Fund.

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These expenses include, but are not limited to, the expenses of preparing, printing and mailing the prospectus and Rights subscription materials, SEC registration fees, and the fees assessed by service providers (including the cost of the Fund's counsel and independent registered public accounting firm) in connection with the offering. See "Fees and Expenses."

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The net proceeds to the Fund from this Rights offering, assuming all Rights issued hereunder are exercised, are estimated to be \$33,620,000 or, if pursuant to the over-allotment option, the Fund, at the discretion of the Board, elects to increase the number of Shares subject to subscription in an amount equal to 25% and all Secondary Subscription Shares are sold, \$42,102,500, in each case after deducting offering expenses.

Use of Proceeds

The Investment Manager expects that it will initially invest the proceeds of the offering by reducing borrowings, if any, and investing the balance in high quality short-term debt securities, money market fund shares, or similar securities. The Investment Manager anticipates that the investment of the proceeds will be made in accordance with the Fund's investment objectives and policies as appropriate investment opportunities are identified, which is expected to substantially be completed within three months; however, changes in market conditions could result in the Fund's anticipated investment period extending to as long as six months. Depending on market conditions and operations, a portion of the cash held by the Fund, including any proceeds raised from the offering, may be used to pay distributions in accordance with the Fund's distribution policy. The Fund does not currently anticipate an increase in leverage immediately following the completion of the offering; however, the Fund reserves the right to adjust leverage from time to time. See "Use of Proceeds."

Information and Subscription Agent

American Stock Transfer & Trust Company, LLC will act as the subscription agent for the Rights offering (the "Subscription Agent"). AST Fund Solutions, LLC, an affiliate of the Subscription Agent, will act as the information agent for the Rights offering (the "Information Agent"). Inquiries regarding the Rights offering by holders of Rights should be directed to the Information Agent toll free at 1-877-248-6417. See "Description of the Rights Offering—Information and Subscription Agent."

Taxation

For U.S. federal income tax purposes, the receipt of Rights by a Record Date Shareholder should not be a taxable event. We urge you to consult your own tax advisor with respect to the particular tax consequences of the Rights offering. See "U.S. Federal Income Tax Consequences of the Offering."

Important Dates to Remember

EVENT

DATE

Record Date:	September 28, 2015
Subscription Period:	September 28, 2015 - October 30, 2015 ⁽¹⁾
Expiration Date and Pricing Date:	October 30, 2015 ⁽¹⁾
Subscription Certificates and Payment for Shares or Notices of Guaranteed Delivery Due:	October 30, 2015
Payment for Shares Pursuant to Notices of Guaranteed Delivery Due:	November 4, 2015
Confirmation Mailed to Participants:	Within two weeks of Expiration Date
Final Payment for Shares Due:	November 30, 2015 ⁽²⁾

(1)Unless the Rights offering is terminated or extended.

(2)Additional amount due (in the event the actual Subscription Price exceeds the estimated Subscription Price).

DESCRIPTION OF THE RIGHTS OFFERING

Terms of the Rights Offering

The Fund is issuing to Record Date Shareholders Rights to subscribe for up to an aggregate 2,900,000 of Shares of the Fund. In certain circumstances described under "Over-Subscription Privilege," the Fund may increase the number of Shares subject to subscription by up to 25%, or up to an additional 725,000 Secondary Subscription Shares, for an aggregate total of up to 3,625,000 Shares. Each Record Date Shareholder is being issued one non-transferable Right for each Share owned on the Record Date, rounded up to the nearest number of Rights evenly divisible by three. The Rights entitle the 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. Assuming the exercise of all Rights, the offering will result in an approximately 33% increase in the Fund's Shares outstanding. If the Fund exercises its over-allotment option by issuing the full amount of Secondary Subscription Shares, the offering will result in an approximately 42% increase in the Fund's Shares outstanding. The Rights offering is not contingent upon any number of Rights being exercised and may be terminated at any time and for any reason before the Expiration Date. The Shares, once issued, will be listed on the NYSE under the symbol "DNI."

Rights may be exercised at the Formula Price of 95% of the average of the last reported sales price of a Share on the NYSE on the Expiration Date and the four preceding trading days. If, however, the Formula Price is less than 80% of the Fund's NAV per Share on the Expiration Date, then the Subscription Price will be 80% of the NAV per Share on such date. Because the Expiration Date is the last day of the Subscription Period, Rights holders will not know the actual Subscription Price at the time they exercise such Rights and will, therefore, be required initially to pay for both the Shares subscribed for pursuant to the Primary Subscription and any additional Shares subscribed for pursuant to the Over-Subscription Privilege, at the estimated Subscription Price of \$11.70 per Share.

Rights may be exercised at any time during the Subscription Period, unless the Rights offering is terminated or extended. Rights will expire on the Expiration Date and thereafter may not be exercised.

Rights will be evidenced by subscription certificates ("Subscription Certificates"), with the number of Rights issued to each holder stated thereon. The method by which Rights may be exercised and Shares paid for is set forth below in " Method for Exercising Rights" and " Payment for Shares." A holder of Rights will have no right to rescind a purchase after the Subscription Agent has received a completed Subscription Certificate together with payment for the subscribed Shares, except under the circumstances described below under "—Notice of Net Asset Value Decline." Notwithstanding the foregoing, the Fund may cancel the Rights offering during the Subscription Period, even after the Rights have been distributed and subscriptions have been received.

Rights holders are entitled to subscribe for additional Shares at the same Subscription Price pursuant to the Over-Subscription Privilege, subject to certain limitations. See " Over-Subscription Privilege" below.

For purposes of determining the maximum number of Shares that may be acquired pursuant to the Rights offering, broker-dealers, trust companies, banks or others whose Shares are held of record by Cede & Co ("Cede"), the nominee for the Depository Trust Company ("DTC"), or by any other depository or nominee, will be deemed to be the holders of the Rights that are held by Cede or such other depository or nominee on their behalf.

Nominees who hold the Fund's Shares for the account of others, such as banks, broker-dealers, trustees or depositories for securities, should notify the respective beneficial owners of such Shares as soon as possible to ascertain such beneficial owners' intentions and to obtain instructions with respect to the Rights. If the beneficial owner so instructs, the nominee should complete the Subscription Certificate and submit it to the Subscription Agent with proper payment. In addition, beneficial owners of the Shares or Rights held through such a nominee should contact the nominee and request the nominee to effect transactions in accordance with such beneficial owner's instructions.

Participants in the Fund's Dividend Reinvestment Plan will be issued Rights in respect of the Shares held in their accounts in the Dividend Reinvestment Plan. Participants wishing to exercise these Rights must exercise the Rights in accordance with the procedures set forth in " Method for Exercising Rights" and " Payment for Shares."

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The Rights are not transferable. You may not purchase or sell them. The Rights will not trade on the NYSE or any other exchange. If you do not exercise your Rights before the conclusion of the Rights offering, your Rights will expire without value.

Purpose of the Rights Offering

The Board 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 do so. In reaching its conclusion to approve the Rights offering on the terms set out in this Prospectus Supplement, the Board considered the advice and recommendations of the Investment Manager and the recommendation of the Rights Offering Committee of the Board, and was advised by Fund counsel. Beginning in November 2014, the Board considered the Fund's strategy and long range planning initiatives, such as potential strategies for growth and shareholder value, including, among other things, rights offerings. After considering the potential Rights offering at special meetings held on August 19, 2015, August 26, 2015, and September 17, 2015, the Rights Offering Committee recommended that the Board approve the Rights offering on the terms set out in this Prospectus Supplement, which the Board did at a meeting held on September 17, 2015. The Rights Offering Committee of the Board consists of the three Trustees who are not "interested persons" of the Fund as defined under the 1940 Act.

In connection with its conclusion to approve the Rights offering, the Board considered, among other things, the following factors:

(i) **Opportunity to Purchase Below the Then Current Market Price Per Share, and Potentially Below the Fund's Net Asset Value Per Share** – The Board considered the Subscription Price noting that the Rights offering provides an exclusive opportunity to Record Date Shareholders to purchase Shares of the Fund at a price below the then current market price per Share, and potentially below the Fund's NAV per Share. The Board established the Subscription Price and the 1-for-3 Share for Rights exchange ratio based on the recommendations of the Investment Manager and with a view toward, among other things, providing an incentive to shareholders to exercise the Rights.

(ii) **Potential Ownership, Voting, and Net Asset Value Dilution** – The Board took into account that 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, resulting in immediate ownership and voting dilution for such shareholders. The Board also considered the fact that the expenses of the Rights offering will be borne by the Fund, and indirectly by all shareholders, including those who do not exercise their Rights, thus resulting in an immediate dilution of the NAV per Share for all existing shareholders. In addition, the Board considered that to the extent the Subscription Price per Share is less than the then current NAV per Share, the completion of the Rights offering will result in additional dilution of the NAV per Share for all existing shareholders, irrespective of whether they exercise all or a portion of their Rights, although any such dilution will disproportionately affect shareholders who choose not to exercise their Rights. Similarly, the Board noted that Bexil Securities, the Fund's largest shareholder and an affiliate of the Investment Manager, could increase its percentage ownership in and control of the Fund through the exercise of its Rights and the purchase of additional Shares pursuant to the Over-Subscription Privilege.

(iii) **Increase in Capital** – The Board considered the increased equity capital to be available upon completion of a fully subscribed Rights offering, including the issuance of Shares pursuant to the Over-Subscription Privilege, that could be used for making additional investments consistent with the Fund's investment objectives. The Investment Manager advised the Board that it believed such additional capital could be deployed in an effective and timely manner consistent with the Fund's investment objectives. The Board considered that the current market environment for securities in which the Fund may invest could change, which may adversely affect the Fund's ability to invest the proceeds of the Rights offering in securities that provide a yield at least equal to the current yield of the securities in the Fund's portfolio. The Board noted the fact that the increase in capital is not necessarily anticipated to cause the Fund to be less leveraged than it is currently, as the Fund may increase its borrowings should it determine to increase its leverage following the completion of the Rights offering.

Alternative Capital Raising Methods – The Board considered various other capital-raising alternatives, including, among other things, conducting secondary offerings of Shares, at-the-market offerings, and other types of rights offerings (e.g., transferrable rights offerings). The Board also considered the effect on the Fund if the Rights offering is undersubscribed. In this regard, the Board noted that the Fund's prior two rights offerings, in 2011 and (iv) 2013, were both oversubscribed. The Board considered the benefits and drawbacks of conducting a transferable versus a non-transferable rights offering. In this regard, the Board considered the conclusions of the Investment Manager, which advised the Board that a non-transferable rights offering under terms generally consistent with the terms in this Prospectus Supplement appeared at that time to be the best alternative for the Fund to raise additional capital and that an underwriter or dealer is not always necessary or desirable for a non-transferable rights offering.

Size of the Rights Offering – The Board considered the size of the Rights offering in relation to the number of (v) Shares outstanding. Based on recommendations from the Investment Manager, the Board decided on a 1-for-3 Rights offering with an Over-Subscription Privilege.

Conditions of the Securities Markets – The Board took into account the Investment Manager's belief that, while the (vi) securities markets have experienced increased volatility recently, the condition of the securities markets appear supportive of a Rights offering by the Fund and, as noted above, the potential to invest the proceeds of the Rights offering in securities in an effective and timely manner consistent with the Fund's investment objectives.

Possible Greater Visibility of the Fund and Liquidity for the Shares – The Board took into account the Investment (vii) 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 on the NYSE.

Possible Modest Reduction in Expense Ratio – The Board was advised by the Investment Manager that the (viii) 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. However, the Board considered that savings from a reduced expense ratio would be offset at first by the expenses of the Rights offering and dilution.

Possible Impact on the Fund's Managed Distribution Policy – The Board also considered the potential impact of the (ix) Rights offering on the Fund's managed distribution policy.

Investment Manager's Conflict of Interest – The Board considered 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 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. It is not possible to state precisely the amount of (x) additional compensation the Investment Manager will receive as a result of the Rights offering because it is not known at this time how many Shares will be subscribed for and because the proceeds of the Rights offering will be invested in additional portfolio securities, which will fluctuate in value. However, assuming all Rights are exercised and the Subscription Price is \$11.70 per Share, and after giving effect to the expenses related to the Rights offering estimated to be \$310,000, the Investment Manager would receive an additional annualized management fee of approximately \$343,000 (or approximately \$429,000, if the over-allotment option is exercised and the full number of Secondary Subscription Shares are issued). A majority of the Board members who approved the Rights offering are not "interested persons" of the Investment Manager.

The Board also considered the Fund's prior rights offerings in 2011 and 2013, 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 rights offerings and net proceeds to the Fund; (iii) the dilutive effect of the prior rights offerings; (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 rights offerings, shareholders of record on November 14, 2011 and August 30, 2013, respectively, 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 a

similar formula as the current Subscription Price, although the formula for the prior rights offerings was 95% of the lower of (a) the Fund's NAV per share or (b) the market price per share, and did not include the 80% floor found in the current Rights offering. The prior rights offerings expired on December 23, 2011 and September 27, 2013, respectively. The Board noted that each of the prior rights offerings was oversubscribed, resulting in the Fund issuing 1,774,988 (restated to reflect the effects of the Fund's subsequent 1-for-4 reverse stock split) and 2,529,317 additional Shares, respectively.

Expiration of the Offering

The Rights offering will expire at 5:00 p.m., ET, on October 30, 2015, unless extended by the Fund. The Rights will expire on the Expiration Date and thereafter may not be exercised. Any extension of the Rights offering will be followed as promptly as practicable by announcement thereof. Without limiting the manner in which the Fund may choose to make such announcement, the Fund will not, unless otherwise required by law, have any obligation to publish, advertise, or otherwise communicate any such announcement other than by issuing a press release or such other means of announcement as the Fund deems appropriate.

Termination of the Offering

The Fund may terminate the Rights offering at any time and for any reason during the Subscription Period. If the Fund terminates the Rights offering, the Fund will issue a press release announcing such termination and will direct the Subscription Agent to return, without interest, all subscription proceeds received to such shareholders who had elected to purchase Shares.

Notice of Net Asset Value Decline

As required by the SEC, the Fund will suspend the Rights offering until it amends this Prospectus Supplement if, after September 16, 2015 (the effective date of the Fund's registration statement relating to this offering), the Fund's NAV declines more than 10% from the Fund's NAV as of that 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.

Over-Subscription Privilege

Record Date Shareholders who fully exercise all Rights issued to them in the Primary Subscription may subscribe for the Primary Subscription Shares not subscribed for by other Rights holders at the same Subscription Price. If enough Primary Subscription Shares are available after completion of the Primary Subscription, all such requests that are timely received will be honored in full. If the over-subscription requests exceed the Primary Subscription Shares available, the Fund may, at the discretion of its Board, increase the number of Shares subject to subscription by up to 25% of the Primary Subscription Shares pursuant to the exercise of an over-allotment option, or up to an additional 725,000 Secondary Subscription Shares, to cover such over-subscription requests. The Fund will not offer or sell in connection with this Rights offering any Shares that are not subscribed for pursuant to the Primary Subscription or the Over-Subscription Privilege. However, to the extent shareholders do not exercise all of the Rights issued to them, and shareholders who have exercised their Rights do not wish to participate in the Over-Subscription Privilege, the Fund may offer and sell the underlying Shares in a subsequent offering pursuant to the registration statement of which this Prospectus Supplement and the accompanying Prospectus are a part, subject to applicable law.

Record Date Shareholders who are fully exercising their Rights during the Subscription Period should indicate, on the Subscription Certificate that they submit with respect to the exercise of the Rights issued to them, how many Shares they are willing to acquire pursuant to the Over-Subscription Privilege.

Allocation of Excess Shares

Regardless of whether the Fund issues Secondary Subscription Shares and to the extent sufficient Shares are not available to fulfill all over-subscription requests, the Excess Shares will be allocated pro rata among those Record Date Shareholders who over-subscribe based on the number of Shares owned by them on the Record Date, but in no event will the number of Shares allocated to a shareholder exceed the number the shareholder subscribed for. The allocation process may involve a series of allocations in order to assure that the total number of Excess Shares is distributed on a pro rata basis.

The formula to be used in allocating the Excess Shares is as follows:

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Shareholder's Record Date Position
 Total Record Date Position of Over-Subscribers in that Allocation

X Excess Shares Remaining

Banks, broker-dealers, trustees and other nominee holders of Rights will be required to certify to the Subscription Agent, before any Excess Shares may be allocated with respect to any particular beneficial owner, as to the aggregate number of Rights exercised during the Subscription Period and the number of Shares subscribed for pursuant to the Primary Subscription and the Over-Subscription Privilege by such beneficial owner, and that such beneficial owner's Primary Subscription was exercised in full. Nominee holder over-subscription forms and beneficial owner certification forms may be distributed to banks, broker-dealers, trustees and other nominee holders of Rights with the Subscription Certificates.

The Fund has been advised that the Investment Manager, its affiliates and one or more of their officers, and trustees of the Fund's Board of Trustees may exercise some or all of the Rights issued to them, and may request additional Shares pursuant to the Over-Subscription Privilege. Any purchases of additional Shares pursuant to the Over-Subscription Privilege by such persons will increase their proportionate voting power and share of the Fund's assets.

Method for Exercising Rights

Rights are evidenced by Subscription Certificates that will be mailed to Record Date Shareholders (except as described under "—Requirements for Foreign Shareholders," below) or, if their Shares are held by Cede or any other depository or nominee on their behalf, to Cede or such other depository or nominee. Rights may be exercised by completing and signing the Subscription Certificate and mailing it in the envelope provided, or otherwise delivering the completed and signed Subscription Certificate to the Subscription Agent, together with payment in full at the estimated Subscription Price for the Shares subscribed for by the Expiration Date as described under "—Payment for Shares." Rights may also be exercised by contacting your broker, bank, trust company, or other intermediary, which can arrange, on your behalf, to guarantee delivery of a properly completed and executed Subscription Certificate and payment in full at the estimated Subscription Price for the Shares subscribed for pursuant to a notice of guaranteed delivery (a "Notice of Guaranteed Delivery"). A fee may be charged for this service. Completed Subscription Certificates and payments must be received by the Subscription Agent by 5:00 p.m., ET, on the Expiration Date (unless delivery of Subscription Certificate and payment is effected by means of a Notice of Guaranteed Delivery as described under "—Payment for Shares") at the offices of the Subscription Agent at one of the addresses set forth under "—Information and Subscription Agent." Your broker, bank, trust company or other intermediary may impose a deadline for exercising Rights earlier than 5:00 p.m., ET, on the Expiration Date.

Shareholders who are Record Owners. Shareholders who are record owners of Shares can choose between either option set forth under "—Payment for Shares." If time is of the essence, option (2) will permit delivery of the Subscription Certificate and payment for Shares after the Expiration Date.

Investors whose Shares are Held by a Nominee. Investors whose Shares are held by a nominee, such as a bank, broker, trustee or other intermediary, must contact that nominee to exercise their Rights. In that case, the nominee will complete the Subscription Certificate on behalf of the investor and arrange for proper payment by one of the methods set forth under "—Payment for Shares."

Nominees. Nominees, such as banks, brokers, trustees or depositories for securities, who hold Shares of the Fund for the account of others should notify the respective beneficial owners of such Shares as soon as possible to ascertain those beneficial owners' intentions and to obtain instructions with respect to the Rights. If the beneficial owner so instructs, the nominee should complete the Subscription Certificate and submit it to the Subscription Agent with the proper payment as described under "—Payment for Shares."

Banks, broker-dealers, trustees and other nominee holders of Rights will be required to certify to the Subscription Agent, before any Excess Shares may be allocated with respect to any particular beneficial owner who is a Record Date Shareholder, as to the aggregate number of Rights exercised during the Subscription Period and the number of Shares subscribed for pursuant to the Primary Subscription and the Over-Subscription Privilege by the beneficial owner, and that such beneficial owner exercised all the Rights issued to it pursuant to the Primary Subscription.

Requirements for Foreign Shareholders. Subscription Certificates will not be mailed to shareholders whose addresses are outside the United States or who have an APO or FPO address (for these purposes, the United States includes the District of Columbia and the territories and possessions of the United States) ("Foreign Shareholders"). The

Subscription Agent will send a letter via regular mail to Foreign Shareholders to notify them of the Rights offering. The Rights of Foreign Shareholders will be held by the Subscription Agent for their accounts until instructions are received to exercise the Rights,

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subject to applicable law. If instructions have not been received by 5:00 p.m., ET, on October 27, 2015 (or, if the Subscription Period is extended, on or before the third business day prior to the extended Expiration Date), the Fund will consider such Rights of Foreign Shareholders as having not been exercised and shall be available to Record Date Shareholders pursuant to the Over-Subscription Privilege.

Information and Subscription Agent

American Stock Transfer & Trust Company, LLC will serve as the Fund's subscription agent in connection with the Rights offering. AST Fund Solutions, LLC, an affiliate of the Subscription Agent, will serve as the Fund's information agent in connection with the Rights offering. The Subscription Agent and Information Agent will collectively receive from the Fund an amount estimated to be approximately \$50,000, comprised of the fee for their services and the reimbursement for certain expenses related to the Rights offering. The fees and expenses of the Subscription Agent and Information Agent are included in the fees and expenses of the Rights offering and, therefore, will be borne by the Fund and indirectly by all shareholders, including those who do not exercise their Rights. Inquiries regarding the Rights offering should be directed to the Information Agent toll free at 1-866-745-0268. Completed Subscription Certificates must be sent together with proper payment of the estimated Subscription Price for all Shares subscribed for in the Primary Subscription and the Over-Subscription Privilege to the Subscription Agent by one of the methods described below. Alternatively, Rights holders may arrange for their financial intermediaries to send Notices of Guaranteed Delivery to the Subscription Agent prior to 5:00 p.m., ET, on the Expiration Date. The Fund will accept only properly completed and executed Subscription Certificates actually received at any of the addresses listed below, prior to 5:00 p.m., ET, on the Expiration Date, or by the close of business on November 4, 2015 following timely receipt of a Notice of Guaranteed Delivery. See "—Payment for Shares."

Subscription Certificate Delivery Method Address/Number

Notice of Guaranteed Delivery: Contact your broker-dealer, trust company, bank or other nominee to notify the Fund of your intent to exercise the Rights.

First Class Mail Only (No Express Mail or Overnight Courier): American Stock Transfer & Trust Company, LLC
Operations Center
Attn: Reorganization Department
P.O. Box 2042
New York, New York 10272-2042

Express Mail, Overnight Courier or by Hand: American Stock Transfer & Trust Company, LLC
Operations Center
Attn: Reorganization Department
6201 15th Avenue
Brooklyn, New York 11219
Toll-free 1-877-248-6417

The Fund will honor only Subscription Certificates, or Notices of Guaranteed Delivery, received by the Subscription Agent prior to 5:00 p.m., ET, on the Expiration Date at one of the addresses listed above. Delivery to an address other than those listed above will not constitute good delivery.

The Subscription Agent will deposit all funds received by it into a segregated account (interest, if any, paid on the balances in the account will accrue to the benefit of the Fund), pending distribution of the Shares.

Payment for Shares

Rights holders who wish to acquire Shares pursuant to the Primary Subscription and the Over-Subscription Privilege may choose between the following methods of payment:

(1) A Rights holder can send the properly completed and executed Subscription Certificate together with payment for the Shares subscribed for during the Subscription Period and for any Shares acquired pursuant to the Over-Subscription

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Privilege, to the Subscription Agent based upon an estimated Subscription Price of \$11.70 per Share. A subscription will be accepted when payment, together with the executed Subscription Certificate, is received by the Subscription Agent at one of the addresses set forth under "—Information and Subscription Agent." The payment and the properly completed and executed Subscription Certificate must be received by the Subscription Agent by 5:00 p.m., ET, on the Expiration Date. The Subscription Agent will deposit all checks and other funds received by it for the purchase of Shares into a segregated account of the Fund pending proration and distribution of Shares. A payment pursuant to this method must be in U.S. dollars and may be made by personal check, certified check, or bank cashier's check drawn on a bank located in the United States, or by wire transfer, payable to "American Stock Transfer & Trust Company, LLC as Subscription Agent" and must accompany a properly completed and executed Subscription Certificate for such subscription to be accepted. Wire transfer instructions are provided in the Subscription Certificate.

(2) Alternatively, a subscription will be accepted by the Subscription Agent if, by 5:00 p.m., ET, on the Expiration Date, the Subscription Agent has received a Notice of Guaranteed Delivery by facsimile (teletype) or otherwise from a bank, a trust company, or an NYSE member guaranteeing delivery of a properly completed and executed Subscription Certificate, as well as the payment for Shares. In order for the Notice of Guaranteed Delivery to be valid, a properly completed and executed Subscription Certificate and full payment for the Shares at the estimated Subscription Price of \$11.70 per Share must be received by the Subscription Agent by the close of business on November 4, 2015.

On the confirmation date, which will generally be within two weeks of the Expiration Date (the "Confirmation Date"), a confirmation will be sent by the Subscription Agent to each Rights holder exercising its Rights (or, if a Rights holder's Shares are held by DTC or any other depository or nominee, to DTC and/or that other depository or nominee) showing (i) the number of Shares acquired during the Subscription Period, (ii) the number of Shares, if any, acquired pursuant to the Over-Subscription Privilege, (iii) the per Share and total purchase price for the Shares, and (iv) any additional amount payable to the Fund by the Rights holder or any excess to be refunded by the Fund to the Rights holder, in each case based on the Subscription Price as determined on the Expiration Date. Any additional payment required from a Rights holder must be received by the Subscription Agent by the close of business on November 30, 2015 (unless the Subscription Period is extended). Any excess payment to be refunded by the Fund to a Rights holder will be mailed by the Subscription Agent to such Rights holder as promptly as practicable. All payments by a Rights holder must be in U.S. dollars and may be made by personal check, certified check, or bank cashier's check drawn on a bank located in the United States, or by wire transfer, payable to "American Stock Transfer & Trust Company, LLC as Subscription Agent" "

Whichever of the two methods described above is used, issuance and delivery of the Shares subscribed for are contingent upon actual payment for such Shares. No certificates will be issued or delivered with respect to Shares issued and sold in the Rights offering.

Rights holders who have exercised their Rights will have no right to rescind their subscription after receipt of the completed Subscription Certificate together with payment for Shares by the Subscription Agent, except under the circumstances described above under "—Notice of Net Asset Value Decline."

If a Rights holder who acquires Shares during the Subscription Period or pursuant to the Over-Subscription Privilege does not make payment of any amounts due by the Expiration Date (or later, if a Notice of Guaranteed Delivery is used), the Fund reserves the right to take any or all of the following actions through all appropriate means: (i) find other Record Date Shareholders for the subscribed and unpaid-for Shares; (ii) apply any payment actually received by the Fund toward the purchase of the greatest whole number of Shares that could be acquired by the Rights holder upon exercise of such Rights acquired during the Primary Subscription or pursuant to the Over-Subscription Privilege; and/or (iii) exercise any and all other rights or remedies to which the Fund may be entitled, including, without limitation, the right to set off against payments actually received by it with respect to such subscribed Shares.

The method of delivery of completed Subscription Certificates and payment of the Subscription Price to the Subscription Agent will be at the election and risk of exercising Rights holders, but if sent by mail, it is recommended that such forms and payments be sent by registered mail, properly insured, with return receipt requested, and that a sufficient number of days be allowed to ensure delivery to the Subscription Agent and clearance of payment by 5:00 p.m., ET, on the Expiration Date. Because uncertified personal checks may take more than one business day to clear, exercising Rights holders who do not wish to use the wire transfer method of payment are urged to pay, or arrange for payment, by means of certified or cashier's check with the shareholder's name identified on the check.

All questions concerning the timeliness, validity, form and eligibility of any exercise of Rights will be determined by the Fund, which determinations will be final and binding. The Fund, in its sole discretion, may waive any defect or irregularity, or permit a defect or irregularity to be corrected within such time as it may determine, or reject the purported

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exercise of any Right. Subscriptions will not be deemed to have been received or accepted until substantially all irregularities have been waived or cured within such time as the Fund determines in its sole discretion. The Fund will not be under any duty to give notification of any defect or irregularity in connection with the submission of Subscription Certificates or incur any liability for failure to give such notification.

Employee Benefit Plan Considerations

Shareholders that are employee benefit plans subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA") (including corporate savings and 401(k) plans), Keogh plans of self-employed individuals, Individual Retirement Accounts ("IR