

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

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

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

280 Park Avenue

New York, New York 10017

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

August 21, 2009

Dear Stockholder:

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

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

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

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

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

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

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

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

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

Sincerely,

Adam M. Derechin

President of the Funds

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

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

**IMPORTANT NEWS FOR STOCKHOLDERS**

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

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

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

**Q. WHAT IS HAPPENING?**

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

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

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

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

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

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

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

Q. WHAT HAPPENS IF THE MERGER IS NOT APPROVED?

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

Q. WHY IS THE MERGER BEING RECOMMENDED?

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

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

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

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

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

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

Q. WHO WILL PAY THE EXPENSES OF THE MERGER?

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

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

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

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

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

Q. WHEN IS THE MERGER EXPECTED TO HAPPEN?

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

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

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

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

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

**Q. HOW CAN I VOTE?**

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

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

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

**To vote by Internet:**

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

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

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

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

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

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

**NOTICE OF SPECIAL JOINT MEETING OF STOCKHOLDERS**

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

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

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

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

By order of the Boards of Directors,

Francis C. Poli  
Secretary of the Funds

August 21, 2009

**YOUR VOTE IS IMPORTANT**

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



*PROXY STATEMENT/PROSPECTUS*

August 21, 2009

*PROXY STATEMENT FOR:*

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

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

*PROSPECTUS FOR:*

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

280 Park Avenue

New York, New York 10017

(212) 832-3232

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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**PROPOSAL 1**

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

**SUMMARY**

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

**Proposed Merger**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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**Fees and Expenses**

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

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

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

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

*Fee Table*

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

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

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

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

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

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

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

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

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

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

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

*Expense Example*

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

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

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

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

### INVESTING IN THE FUNDS

#### Investment Objectives, Strategies and Principal Risks

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

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

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

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

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

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

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

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

*Utility Companies*

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

generation, transmission, sale or distribution of electric energy;

distribution, purification and treatment of water;

production, transmission or distribution of natural gas; and

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

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

### *Real Estate Companies*

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

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

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

Equity securities of real estate companies consist of:

common stocks (including REIT shares);

preferred stocks;

rights or warrants to purchase common and preferred stocks; and

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

### *Real Estate Investment Trusts*

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

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

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

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

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



### *Preferred Securities*

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

### *Debt Securities*

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

### *Lower-Rated Securities*

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



## **Additional Investment Activities**

### *Derivatives Transactions*

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

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

### *Securities Lending*

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

### *Other Investment Companies*

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

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

*Restricted and Illiquid Securities*

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

*Other Investments*

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

*Portfolio Turnover*

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

*Temporary Defensive Position*

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

**Risk Factors**

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

*Market Risk*

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

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

*Risks of Securities Linked to the Utility Industry*

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

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

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

governmental regulation of rates charged to customers;

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

effects of economic slowdowns and surplus capacity;

increased competition from other providers of utility services;

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

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

effects of a national energy policy and lengthy delays and greatly increased costs and other problems associated with the design, construction, licensing, regulation and operation of nuclear facilities for electric generation, including, among other considerations, the problems associated with the use of radioactive materials and the disposal of radioactive wastes;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

*Risks of Securities Linked to the Real Estate Market*

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

declines in the value of real estate;

risks related to general and local economic conditions;

possible lack of availability of mortgage funds;

overbuilding;

extended vacancies of properties;

increased competition;

increases in property taxes and operating expenses;

changes in zoning laws;

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

liability to third parties for damages resulting from environmental problems;

casualty or condemnation losses;

limitations on rents;

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

changes in interest rates;

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

quality of maintenance, insurance and management services.

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



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

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

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

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

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

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

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

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

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

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

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

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

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

*REIT Tax Risk*

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

*Common Stock Risk*

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

*Convertible Securities Risk*

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

*Foreign Securities Risk*

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

fluctuations in foreign exchange rates;

future foreign economic, financial, political and social developments;

different legal systems;

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

lower trading volume;

much greater volatility and illiquidity of certain foreign securities markets;

different trading and settlement practices;

less governmental supervision;

regulation changes;

changes in currency exchange rates;

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

high and volatile rates of inflation;

fluctuating interest rates; and

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

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

the possibility of expropriation of assets;

confiscatory taxation;

difficulty in obtaining or enforcing a court judgment;

economic, political or social instability;

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

diplomatic developments that could affect investments in those countries.

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

growth of gross domestic product;

rates of inflation;

capital reinvestment;

resources;

self-sufficiency; and

balance of payments position.

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

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

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

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

#### *Foreign Currency Risk*

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

#### *Preferred Stock Risk*

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

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

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

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

Limited Voting Rights. Generally, traditional preferred securities offer no voting rights with respect to the issuing company unless preferred dividends have been in arrears for a specified number of periods, at which time the preferred security holders may elect a number of directors to the issuer's board. Generally, once all the arrearages have been paid, the preferred security holders no longer have voting rights. Hybrid-preferred security holders generally have no voting rights.

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

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

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

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

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

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

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

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

*Lower-Rated Securities Risk*

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

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

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

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



*Interest Rate Risk*

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

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

*Tax Risk*

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

*Derivatives Transactions Risk*

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

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

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

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

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

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

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

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