REAVES UTILITY INCOME FUND
Form N-2/A
June 29, 2012
Table of Contents

As filed with the Securities and Exchange Commission on June 29, 2012

Securities Act File No. 333-181494

Investment Company Act File No. 811-21432

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-2

(check appropriate box or boxes)

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933	**[X]**
Pre-Effective Amendment No. 2	**[X]**
Post-Effective Amendment No.	[ ]
and/or	
REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940	**[X]**
Amendment No. 11	**[X]**

Reaves Utility Income Fund

(Exact name of registrant as specified in charter)

1290 Broadway, Suite 1100

Denver, Colorado 80203

(Address of principal executive offices)

Registrant s telephone number: 303-623-2577

David T. Buhler	Philip J. Niehoff, Esq.
Reaves Utility Income Fund	Mayer Brown LLP
1290 Broadway, Suite 1100	71 South Wacker Drive
Denver, Colorado 80203	Chicago, Illinois 60606

(Names and addresses of agents for service)

Approximate Date of Proposed Public Offering: As soon as practicable after the effective date of this Registration Statement.

If any securities being registered on this form will be offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933, other than securities offered in connection with a dividend reinvestment plan, check the following box. [ ]

It is proposed that this filing will become effective (check appropriate box)

[X] when declared effective pursuant to section 8(c)

If appropriate, check the following box:

[ ] This [post-effective] amendment designates a new effective date for a previously filed [post-effective amendment] [registration statement].

[ ] This form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act and the Securities Act registration statement number of the earlier effective registration statement for the same offering is __________.

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Title of Securities Being Registered	Amount Being Registered	Proposed Maximum Offering Price Per Unit (1)	Proposed Maximum Aggregate Offering Price (1)	Amount of Registration Fee
Common Shares	9,624,529(4)	$25.72	$247,542,886	$28,368.41(3)
Rights to Purchase Common Shares	(2)	None	None	None

(1) Estimated solely for purposes of calculating the registration fee, based on the average of the high and low sales prices of common shares of Reaves Utility Income Fund on June 27, 2012 ($27.07 per share), as reported on the consolidated reporting system, in accordance with Rule 457(c).
(2) No separate consideration will be received by the Registrant.
(3) $114.60 of which was previously paid in connection with the initial filing on May 17, 2012.
(4) Includes 1,924,906 common shares that may be sold pursuant to a secondary over-subscription privilege.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

The information in this prospectus is not complete and may be changed. The Fund may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION

PRELIMINARY PROSPECTUS DATED JUNE 29, 2012

Reaves Utility Income Fund

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

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

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

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

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

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

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

The Fund is a non-diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended (the 1940 Act). The Fund s investment objective is to provide a high level of after-tax income and total return consisting primarily of tax-advantaged dividend income and capital appreciation. The Fund pursues this objective by investing at least 80% of its total assets in the securities of domestic and foreign companies involved to a significant extent in providing

Table of Contents

products, services or equipment for (i) the generation or distribution of electricity, gas or water, (ii) telecommunications activities or (iii) infrastructure operations, such as airports, toll roads and municipal services (Utilities or the Utility Industry). A company will be deemed to be involved in the Utility Industry to a significant extent if at least 50% of its assets, gross income or profits are committed to or derived from activities in the areas described above.

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

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

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

In addition, you should consider the following:

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

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

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

	Per common share	Total maximum[(3)]
Estimated subscription price[(1)]	$____	$____
Estimated sales load[(1)]	None	None
Estimated offering expenses[(2)]	$____	$____
Estimated net proceeds to Fund[(1)]	$____	$____

(1) Estimated on the basis of 95% of the reported net asset value or market price per common share, whichever is lower at the close of trading on the NYSE MKT on ______, 2012. Market price per common share determined based on the average of the last reported sales prices of a common share on the NYSE MKT for the five trading days preceding ______, 2012. See The Offer The Subscription Price.

2

Table of Contents

(2) Offering expenses payable by the Fund are estimated at approximately $____,which includes fees to the subscription agent and information agent estimated to be approximately $____ in the aggregate inclusive of out of pocket expenses.

(3) Assumes all Rights are exercised at the estimated subscription price per common share. All of the Rights offered may not be exercised.

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

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

This Prospectus sets forth concisely the information about the Fund and the Offer that a prospective investor ought to know before investing in the Fund and participating in the Offer. You should read this Prospectus, which contains important information about the Fund, before deciding whether to invest in the common shares, and retain it for future reference. A Statement of Additional Information dated ______, 2012 (the Statement of Additional Information), containing additional information about the Fund, has been filed with the Securities and Exchange Commission (SEC) and is incorporated by reference in its entirety into this Prospectus, which means that it is part of this prospectus for legal purposes. You may request a free copy of the Statement of Additional Information (the table of contents of which is on page 72 of this Prospectus), the Fund s Annual and Semi-Annual Reports, request other information about the Fund and make shareholder inquiries by calling (800) 644-5571 (toll-free) or by writing to ALPS Fund Services, Inc., 1290 Broadway, Suite 1100, Denver, Colorado 80203, or obtain a copy of such documents (and other information regarding the Fund) from the Fund s website (www.utilityincomefund.com) or the SEC s web site (http://www.sec.gov). For additional information all holders of Rights should contact the Information Agent, Georgeson Inc. (Georgeson) toll free at 888-877-5373 or send written request to the Information Agent at 199 Water Street, 26th Floor, New York, New York 10038.

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

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

Table of Contents

TABLE OF CONTENTS

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

Table of Contents

PROSPECTUS SUMMARY

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

The Fund	Reaves Utility Income Fund (the Fund) is a non-diversified, closed-end management investment company. The Fund s outstanding common shares are listed on the NYSE MKT Equities (the NYSE MKT) under the symbol UTG. As of ___ , 2012, the net assets of the Fund were $. As of ______, 2012, the Fund had outstanding __________ common shares. The Fund has no other outstanding securities. See The Fund.
The purpose of the offer	The Board of Trustees of the Fund (the Board) has determined that it would be in the best interest of the Fund and its existing shareholders to increase the assets of the Fund so that the Fund may be in a better position to take advantage of investment opportunities that may arise without having to reduce existing Fund holdings. This rights offering seeks to reward existing common shareholders by giving them the opportunity to purchase additional common shares at a price that may be below market and/or net asset value without incurring any commission or charge. The distribution of these rights, which themselves may have intrinsic value, will also give non-participating common shareholders the potential of receiving a cash payment upon the sale of their rights, which may be viewed as partial compensation for the possible dilution of their interests in the Fund as a result of this offer.
	The Board believes that increasing the size of the Fund may result in certain economies of scale which may lower the Fund s expenses as a proportion of average net assets because the Fund s fixed costs can be spread over a larger asset base. There can be no assurance that by increasing the size of the Fund, the Fund s expense ratio will be lowered. The Board also believes that a larger number of outstanding common shares and a larger number of common shareholders could increase the level of market interest in and visibility of the Fund, and improve the trading liquidity of the Fund s shares on the NYSE MKT.
Important terms of the offer	The Fund is issuing transferable subscription rights (Rights) to its common shareholders of record as of July 9, 2012 (the Record Date and such shareholders, Record Date Shareholders). These Rights will allow Record Date Shareholders to subscribe for new common shares of the Fund in an aggregate amount of approximately 7,699,623 common shares (the Offer). Record Date Shareholders will receive one Right for each common share held on the Record Date. For every three Rights held, you may buy one new common share of the Fund. Record Date Shareholders who fully exercise their Rights may also, in certain circumstances, purchase additional common shares pursuant to an over-subscription privilege. The number of Rights to be issued to each Record Date Shareholder will be rounded up to the nearest number of Rights evenly divisible by three. Fractional shares will not be issued upon the exercise of the Rights. Accordingly, new common shares may be purchased only pursuant to the exercise of Rights in integral multiples of three.

Table of Contents

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

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

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

Rights holders may not know the subscription price at the time of exercise and will be required initially to pay for both the common shares subscribed for pursuant to the primary subscription and, if eligible, any additional common shares subscribed for pursuant to the over-subscription privilege at the estimated Subscription Price of $____ per common share and, except in limited circumstances, will not be able to rescind their subscription. The estimated Subscription Price per common share is based on a formula equal to 95% of the [reported net asset value]/[market price] per common share on ______, 2012. [Market price per common share is determined based on the average of the last reported sales prices of a common share on the NYSE MKT for the five trading days preceding ______, 2012].

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

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

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

Over-subscription privilege

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

Table of Contents

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

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

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

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

Method for exercising rights

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

Sale of Rights

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

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

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

Table of Contents

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

If the Subscription Agent receives Rights for sale in a timely manner, it will use its best efforts to sell the Rights on the NYSE MKT. The Subscription Agent will also attempt to sell any Rights (i) a Rights holder is unable to exercise because the Rights represent the right to subscribe for less than one new common share or (ii) attributable to shareholders whose record addresses are outside the United States or who have an Army Post Office (APO) or Fleet Post Office (FPO) address. See Restrictions on Foreign Shareholders and The Offer Foreign Restrictions .

Any commissions will be paid by the selling Rights holders. Neither the Fund nor the Subscription Agent will be responsible if Rights cannot be sold and neither has guaranteed any minimum sales price for the Rights. If the Rights can be sold, sales of these Rights will be deemed to have been effected at the weighted average price received by the Subscription Agent on the day such Rights are sold, less any applicable brokerage commissions, taxes and other expenses.

Shareholders are urged to obtain a recent trading price for the Rights on the NYSE MKT from their broker, bank, financial advisor or the financial press.

Banks, broker-dealers and trust companies that hold common shares for the accounts of others are advised to notify those persons who purchase Rights in the secondary market that such Rights will not participate in the over-subscription privilege.

Offering expenses

Offering expenses incurred by the Fund in connection with the Offer are estimated to be $500,000.

Restrictions on foreign shareholders

Subscription Certificates will only be mailed to Record Date Shareholders whose addresses are within the United States (other than an APO or FPO address). Record Date Shareholders whose addresses are outside the United States or who have an APO or FPO address and who wish to subscribe to the Offer either in part or in full should contact the Subscription Agent in writing or by recorded telephone conversation no later than five Business Days prior to the Expiration Date. The Fund will determine whether the Offer may be made to any such Record Date Shareholder. The Offer will not be made in any jurisdiction where it would be unlawful to do so. If the Subscription Agent has received no instruction by the fifth Business Day prior to the Expiration Date or the Fund has determined that the Offer may not be made to a particular Record Date Shareholder, the Subscription Agent will attempt to sell all of such shareholder s Rights and remit the net proceeds, if any, to such shareholder. If the Rights can be sold, sales of these Rights will be deemed to have been effected at the weighted average price received by the Subscription Agent on the day the Rights are sold, less any applicable brokerage commissions, taxes and other expenses.

Use of proceeds

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

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

Important dates to remember

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

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

** Unless the Offer is extended.*

Investment objective and policies

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

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

As used in the prospectus and the Statement of Additional Information, the terms debt securities and debt obligations refer to bonds, debentures and similar long and intermediate term debt investments and

9

do not include short-term fixed income securities such as money market instruments in which the Fund may invest temporarily pending investment of the proceeds of the Offer and during periods of abnormal market conditions. The Fund may invest in preferred stocks and bonds of below investment grade quality (i.e., junk bonds).

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

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

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

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

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

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

Table of Contents

Investment Adviser

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

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

Administrator

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

Use of leverage

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

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

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

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

Changes in the value of the Fund s portfolio (including investments bought with the proceeds of the leverage program) will be borne entirely by the

Table of Contents

common shareholders. If there is a net decrease (or increase) in the value of the Fund s investment portfolio, the leverage will decrease (or increase) the net asset value per share to a greater extent than if the Fund were not leveraged.

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

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

Under the Investment Company Act of 1940, as amended, and the rules and regulations thereunder (the 1940 Act), the Fund is not permitted to issue preferred shares unless immediately after such issuance the total asset value of the Fund s portfolio is at least 200% of the liquidation value of the outstanding preferred shares (i.e., such liquidation value may not exceed 50% of the Fund s total assets). In addition, the Fund is not permitted to declare any cash dividend or other distribution on its common shares unless, at the time of such declaration, the net asset value of the Fund s portfolio (determined after deducting the amount of such dividend or other distribution) is at least 200% of such liquidation value.

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

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

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

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

Risk Factors

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

Risk is inherent in all investing. Investing in any investment company security involves risk, including the risk that you may receive little or no

12

return on your investment or even that you may lose part or all of your investment. Therefore, before investing you should consider carefully the following risks that you assume when you invest in the Fund s common shares:

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

Assuming, for example, that all Rights are exercised, the Subscription Price is $____ (based on the Fund s net asset value and market value as of______ , 2012) and the Fund s net asset value per common share at the expiration of the Offer is $____ (based on net asset value as of ______, 2012), the Fund s net asset value per common share (after payment of estimated offering expenses) would be reduced by approximately $____ (__%) per common share. See Risk Factors Dilution.

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

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

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

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

13

Table of Contents

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

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

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

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

Table of Contents

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

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

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

Foreign Securities Risk. Investments in securities of non-U.S. issuers, it will be subject to risks not usually associated with owning securities of U.S. issuers. These risks can include fluctuations in foreign currencies, foreign currency exchange controls, social, political and economic instability, differences in securities regulation and trading, expropriation or nationalization of assets, and foreign taxation issues. In addition, changes in government administrations or economic or monetary policies in the

Table of Contents

United States or abroad could result in appreciation or depreciation of the Fund s securities. It may also be more difficult to obtain and enforce a judgment against a non-U.S. issuer. Foreign investments made by the Fund must be made in compliance with U.S. and foreign currency restrictions and tax laws restricting the amounts and types of foreign investments. The risks of foreign investing may be magnified for investments in issuers located in emerging market countries.

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

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

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

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

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

Derivatives Risk. Although it may use other derivative instruments from time to time as described in the Statement of Additional Information, the Fund s derivatives usage to date has generally been limited to equity options, including writing covered calls, the purchase of calls and the sale of puts. The Fund may also, from time to time, choose to use interest rate swaps (or options thereon). Derivatives transactions of the types described above subject the Fund to increased risk of principal loss due to imperfect correlation or unexpected price or interest rate movements. The Fund also will be subject to credit risk with respect to the counterparties to the derivatives contracts purchased by the Fund. If a counterparty becomes bankrupt or otherwise fails to perform its obligations under a derivative contract due to financial difficulties, the Fund may experience significant delays in obtaining any recovery under the derivative contract in a bankruptcy or other reorganization proceeding. The Fund may obtain only a limited recovery or may obtain no recovery in such circumstances. As a general matter, dividends received on hedged stock positions are characterized as ordinary income and are not eligible for favorable tax treatment. In addition, use of derivatives may give rise to short-term capital gains and other income that would not qualify for payments by the Fund of tax-advantaged dividends.

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

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

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

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

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

Management Risk. The Fund is subject to management risk because it has an actively managed portfolio. Reaves and the individual portfolio managers apply investment techniques and risk analyses in making investment decisions for the Fund, but there can be no guarantee that these will produce the desired results.

Table of Contents

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

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

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

Table of Contents

Anti-takeover provisions	The Fund s Agreement and Declaration of Trust, dated September 15, 2003 (the Declaration of Trust) includes provisions that could have the effect of inhibiting the Fund s possible conversion to open-end status and limiting the ability of other entities or persons to acquire control of the Board. In certain circumstances, these provisions might also inhibit the ability of shareholders to sell their common shares at a premium over prevailing market prices. See Description of Capital Structure Anti-Takeover Provisions in the Declaration of Trust.
Distributions	The Fund intends to make a level dividend distribution each month to common shareholders after payment of interest on any outstanding borrowings. The level dividend rate is determined, and may be modified by the Board of Trustees, from time to time. Any net capital gains earned by the Fund are distributed at least annually. Distributions to shareholders are recorded by the Fund on the ex-dividend date. In August 2009, the SEC issued an order approving exemptive relief for the Fund, from Section 19(b) and Rule 19b-1 under the Investment Company Act of 1940 (the Order). This would allow the Fund to employ a managed distribution plan (the Managed Distribution Plan) rather than a level distribution plan The Fund implemented the Managed Distribution Plan for the fiscal year ended October 31, 2011. The Board s most recent approval of the Plan was in September 2011. Common shareholders who elect not to participate in the Fund s dividend reinvestment plan will receive all distributions in cash paid by check mailed directly to the shareholder of record (or, if the common shares are held in street or other nominee name, then to such nominee). See Distributions.
Dividend reinvestment plan	Common shareholders may elect automatically to reinvest some or all of their distributions in additional common shares under the Fund s dividend reinvestment plan. Whenever the Fund declares a dividend or other distribution payable in cash, participants in the dividend reinvestment plan will receive the equivalent in common shares. See Dividend Reinvestment Plan.
Common share purchases and tenders	From time to time, the Fund s Board may consider repurchasing common shares in the open market or in private transactions, or tendering for shares, in an attempt to reduce or eliminate a market value discount from net asset value, if one should occur.
Custodian and Transfer Agent	The Bank of New York Mellon serves as the Fund s custodian. Computershare serves as the Fund s transfer agent, dividend paying agent and registrar. See Custodian, Transfer Agent, Dividend Paying Agent and Registrar.

Table of Contents

SUMMARY OF FUND EXPENSES

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

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

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

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

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

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

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

(4) See Management of the Fund Investment Adviser.

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

Table of Contents

Example

The purpose of the following table is to help a holder of common shares understand the fees and expenses that such holder would bear directly or indirectly. The following example illustrates the expenses that you would pay on a $1,000 investment in common shares of the Fund, including the estimated costs of the Offer to be borne by the common shareholders of $500,000, assuming (1) that the Fund s net assets following (and after giving effect to) the Offer do not increase or decrease, (2) that the Fund incurs total annual expenses of 1.90% of its net assets in years 1 through 10 (assuming borrowing equal to 33% of the Fund s total assets) and (3) a 5% annual return.

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

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

FINANCIAL HIGHLIGHTS

Selected Per Share Data And Ratios

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

Table of Contents

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

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

Portfolio turnover rate	34%	53%	86%	32%	34%	43%	55%	63%
PREFERRED SHARES								
Liquidation value, end of year, including dividends on preferred shares (000s)	$[6]	$240,104	$240,095	$240,267	$240,219	$240,185	$240,171	$240,000[9]
Total shares outstanding (000s)	[6]	9.6	9.6	9.6	9.6	9.6	9.6	9.6
Asset coverage per share[7]	$[6]	$76,877	$62,424	$63,161	$96,653	$86,539	$77,270	$70,571
Liquidation preference per share	$[6]	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000
Average market value per share [10]	$[6]	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000
BORROWINGS AT END OF PERIOD								
Aggregate amount outstanding (000s)	$185,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Asset coverage per $1,000 (000s)	$3,946	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

(8) Annualized.
(9) Amount does not include dividends on preferred shares.
(10) Based on weekly prices.

Table of Contents

Information Regarding Senior Securities

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

Senior Securities Representing Indebtedness (Credit Facility)

Fiscal Year Ended	Principal Amount Outstanding (1)	Asset Coverage Per $1,000 (2)
October 31, 2011	$185,000,000	$3,946
October 31, 2010	None	N/A
October 31, 2009	None	N/A
October 31, 2008	None	N/A
October 31, 2007	None	N/A
October 31, 2006	None	N/A
October 31, 2005	None	N/A
October 31, 2004	None	N/A

(1) Principal amount outstanding represents the principal amount owed by the Fund to the Bank under the Credit Facility.

(2) Asset coverage per $1,000 of debt is calculated by subtracting the Fund s liabilities and indebtedness not represented by senior securities from the Fund s total assets, dividing the result by the aggregate amount of the Fund s senior securities representing indebtedness then outstanding, and multiplying the result by 1,000.

Senior Securities Representing Stock (Auction Market Preferred Shares)

Fiscal Year Ended	Total Amount Outstanding (1)	Asset Coverage Per Unit (2)	Involuntary Liquidating Preference Per Unit (3)	Average Market Value Per Unit
October 31, 2011	None	N/A	N/A	N/A
October 31, 2010	$240,000,000	$76,877	$25,000	$25,000
October 31, 2009	$240,000,000	$62,424	$25,000	$25,000
October 31, 2008	$240,000,000	$63,161	$25,000	$25,000
October 31, 2007	$240,000,000	$96,653	$25,000	$25,000
October 31, 2006	$240,000,000	$86,539	$25,000	$25,000
October 31, 2005	$240,000,000	$77,270	$25,000	$25,000
October 31, 2004	$240,000,000	$70,571	$25,000	$25,000

(1) Total amount outstanding represents the aggregate principal amount of auction market preferred shares then outstanding.

Table of Contents

(2) Asset coverage per unit means the ratio that the value of the total assets of the Fund, less all liabilities and indebtedness not represented by the then-outstanding auction market preferred shares, bears to the aggregate of the involuntary liquidation preference of the then outstanding preferred shares, expressed as a dollar amount per preferred share.

(3) Involuntary liquidating preference per unit means the amount to which a then-current holder of auction market preferred shares would be entitled upon the involuntary liquidation of the Fund in preference to the holders of common shares, expressed as a dollar amount per preferred share.

THE OFFER

Terms of the Offer

The Fund is issuing to Record Date Shareholders Rights to subscribe for additional common shares. Each Record Date Shareholder is being issued one transferable Right for each common share owned on the Record Date. The Offer entitles the holder to acquire at the Subscription Price one common share for each three Rights held, rounded up to the nearest number of Rights evenly divisible by three. Fractional shares will not be issued upon the exercise of the Rights. Accordingly, common shares may be purchased only pursuant to the exercise of Rights in integral multiples of three.

In the case of common shares held of record by Cede & Co. (Cede), as nominee for the Depository Trust Company (DTC), or any other depository or nominee, the number of Rights issued to Cede or such other depository or nominee will be adjusted to permit rounding up (to the nearest number of Rights evenly divisible by three) of the Rights to be received by beneficial owners for whom it is the holder of record only if Cede or such other depository or nominee provides to the Fund on or before the close of business on ______, 2012 a written representation to the number of Rights required for such rounding.

Rights may be exercised at any time during the period (the Subscription Period), which commences on July 9, 2012 and ends at 5:00 p.m., Eastern Time, on August 8, 2012, unless extended by the Fund. See Expiration of the Offer.

If all of the Rights are exercised in the primary subscription, the Fund will experience a __% increase in common shares outstanding.

In addition, any Record Date Shareholder who fully exercises all Rights initially issued to him is entitled to subscribe for common shares available for Primary Subscription (the Primary Subscription Shares) that were not otherwise subscribed for by other Rights holders on the Primary Subscription. In the event that the Fund s per common share net asset value on the Expiration Date is equal to or less than the Subscription Price, the Fund, in its sole discretion, would also be able to issue additional Shares in an amount of up to 25% of the Primary Subscription Shares (the Secondary Over-Subscription Shares) to satisfy over-subscription requests in excess of the available Primary Subscription Shares.

The entitlement to subscribe for unsubscribed Primary Subscription Shares and any Secondary Over-Subscription Shares is available only to those Record Date Shareholders who fully exercise all Rights initially issued to them and only on the basis of their Record Date holdings and will be referred to in the remainder of this Prospectus as the Over-Subscription Privilege.

For purposes of determining the maximum number of Shares a Record Date Shareholder may acquire pursuant to the Offer, broker-dealers whose common shares are held of record by Cede, nominee for DTC, or by any other depository or nominee, will be deemed to be the holders of the Rights that are issued to Cede or such other depository or nominee on their behalf. Common shares acquired pursuant to the Over-Subscription Privilege are subject to allotment, which is more fully discussed below under Over-Subscription Privilege. Rights acquired in the secondary market may not participate in the Over-Subscription Privilege.

Table of Contents

The method by which Rights may be exercised and common shares paid for is set forth below in Method of Exercising Rights and Payment for Shares. A Rights holder will have no right to rescind a purchase after the Subscription Agent has received payment. See Payment for Shares below. Common shares issued pursuant to an exercise of Rights will be listed on the NYSE MKT. Common shares issued in connection with the Offer will not be evidenced by share certificates.

For purposes of determining the maximum number of common shares that may be acquired pursuant to the Offer, broker-dealers, trust companies, banks or others whose shares are held of record by Cede or by any other depository or nominee will be deemed to be the holders of the Rights that are held by Cede or such other depository or nominee on their behalf.

The Rights are transferable until the Expiration Date and will be admitted for trading on the NYSE MKT. Although no assurance can be given that a market for the Rights will develop, trading in the Rights on the NYSE MKT will begin three Business Days prior to the Record Date and may be conducted until the close of trading on the last NYSE MKT trading day prior to the Expiration Date due to normal settlement procedures.

Rights that are sold will not confer any right to acquire any common shares in the Over-Subscription Privilege, and any Record Date Shareholder who sells any Rights will not be eligible to participate in the secondary over-subscription (the Secondary Over-Subscription). Trading of the Rights on the NYSE MKT will be conducted on a when-issued basis until and including the date on which the Subscription Certificates are mailed to Record Date Shareholders and thereafter, will be conducted on a regular way basis until and including the last NYSE MKT trading day prior to the Expiration Date. The method by which Rights may be transferred is set forth below under Method of Transferring Rights. The Shares will begin trading ex-Rights two Business Days prior to the Record Date.

Nominees who hold the Fund s common shares for the account of others, such as banks, broker-dealers, or depositories for securities, should notify the respective beneficial owners of such Shares as soon as possible to ascertain such beneficial owners intentions and to obtain instructions with respect to the Rights. Nominees should also notify holders purchasing Rights in the secondary market that such Rights may not participate in the Over-Subscription Privilege. If the beneficial owner so instructs, the nominee will complete the Subscription Certificate and submit it to the Subscription Agent with proper payment. In addition, beneficial owners of the common shares or Rights held through such a nominee should contact the nominee and request the nominee to effect transactions in accordance with such beneficial owner s instructions.

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

ALTHOUGH THE FUND HAS NO PRESENT INTENTION TO DO SO, THE FUND MAY, IN THE FUTURE AND IN ITS DISCRETION, CHOOSE TO MAKE ADDITIONAL RIGHTS OFFERINGS FROM TIME TO TIME FOR A NUMBER OF COMMON SHARES AND ON TERMS WHICH MAY OR MAY NOT BE SIMILAR TO THE OFFER.

Purpose of the Offer

The Board has determined that it would be in the best interests of the Fund and its existing shareholders to increase the assets of the Fund available for investment, thereby permitting the Fund to be in a better position to more fully take advantage of investment opportunities that may arise without having to reduce existing Fund holdings. The Offer seeks to reward existing shareholders by giving them the right to purchase additional common shares at a price that may be below market and/or net asset value without incurring any commission charge. The distribution to common shareholders of transferable Rights, which themselves may have intrinsic value, will also afford non-subscribing shareholders the potential of receiving a cash payment upon sale of such Rights, receipt of which may be viewed as partial compensation for the possible dilution of their interests in the Fund.

Table of Contents

The Investment Adviser will benefit from the Offer because the Investment Adviser s fee is based on the average daily total assets of the Fund. See Management of the Fund. It is not possible to state precisely the amount of additional compensation the Investment Adviser will receive as a result of the Offer because the proceeds of the Offer will be invested in additional portfolio securities, which will fluctuate in value. However, assuming all Rights are exercised at the estimated Subscription Price of $____and that the Fund receives the maximum proceeds of the Offer, the annual compensation to be received by the Investment Adviser would be increased by approximately $____(__%). In determining that the Offer was in the best interest of shareholders, the Board was cognizant of this benefit.

This is the Fund s first rights offering. The Fund may, in the future and at its discretion, choose to make additional rights offerings from time to time for a number of shares and on terms which may or may not be similar to the Offer. Pursuant to applicable law, the Board is authorized to approve rights offerings without obtaining shareholder approval. The staff of the SEC has interpreted the 1940 Act as not requiring shareholder approval of a rights offering at a price below the then current net asset value so long as certain conditions are met, including a good faith determination by the Board that such offering would result in a net benefit to existing shareholders.

Over-Subscription Privilege

The Board has the right in its absolute discretion to eliminate the Primary Over-Subscription Privilege if it considers it to be in the best interest of the Fund to do so. The Board may make that determination at any time, without prior notice to Rights holders or others, up to and including the seventh day following the Expiration Date. If the Primary Over-Subscription Privilege is not eliminated, it will operate as set forth below.

Rights holders who are Record Date Shareholders are entitled to subscribe for additional common shares at the same Subscription Price pursuant to the Over-Subscription Privilege, subject to certain limitations and subject to allotment.

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

In addition, the Fund, in its sole discretion, may determine to issue Secondary Over-Subscription Shares in an amount of up to 25% of the Primary Subscription Shares. Should the Board (or a designated committee thereof) determine to issue some or all of the Secondary Over-Subscription Shares, they will be allocated only among Record Date Shareholders who submitted over-subscription requests. Secondary Over-Subscription Shares will be allocated *pro rata* among those fully exercising Record Date Shareholders who over-subscribe based on the number of Rights originally issued to them by the Fund. Any Secondary Over-Subscription Shares issued by the Fund, collectively with any Primary Subscription Shares not subscribed for through the Primary Subscription, will be referred to in this Prospectus as the Excess Shares. If common shareholders do not participate in the Secondary Over-Subscription (if any), their percentage ownership may be diluted.

Record Date Shareholders who are fully exercising their Rights during the Subscription Period should indicate, on the Subscription Certificate that they submit with respect to the exercise of the Rights issued to them, how many common shares they are willing to acquire pursuant to the Over-Subscription Privilege. Rights acquired in the secondary market may not participate in the Over-Subscription Privilege.

To the extent sufficient common shares are not available to fulfill all over-subscription requests, the Excess Shares will be allocated *pro-rata* among those Record Date Shareholders who over-subscribe based on the number of the common shares owned on the Record Date. The allocation process may involve a series of allocations in order to assure that the total number of common shares available for over-subscriptions is distributed on a *pro rata* basis.

The formula to be used in allocating the Excess Shares is as follows: (shareholder s Record Date share position divided by total record date position of all over-subscribers) multiplied by Excess Shares remaining.

Banks, broker-dealers, trustees and other nominee holders of Rights will be required to certify to the Subscription Agent, before any Over-Subscription Privilege may be exercised with respect to any particular beneficial owner, as to the aggregate number of Rights exercised during the Subscription Period and the number of common shares subscribed for pursuant to the Over-Subscription Privilege by such beneficial owner and that such beneficial owner s subscription was exercised in full. Nominee holder over-subscription forms and beneficial owner certification forms will be distributed to banks, broker-dealers, trustees and other nominee holders of rights with the Subscription Certificates. Nominees should also notify holders purchasing Rights in the secondary market that such Rights may not participate in the Over-Subscription Privilege.

The Fund will not offer or sell any common shares that are not subscribed for during the Subscription Period or pursuant to the Over-Subscription Privilege.

The Subscription Price

The Subscription Price will be determined based upon a formula equal to 95% of the reported net asset value or market price per common share, whichever is lower on the Expiration Date. Market price per common share will be determined based on the average of the last reported sales prices of a common share on the NYSE MKT for the five trading days preceding the Expiration Date. Based on reported net asset value and market price per common share as of ______, 2012, the Subscription Price would be $____(the estimated Subscription Price).

Because the expiration date of the subscription period will be August 8, 2012 (unless the Fund extends the Subscription Period), rights holders may not know the Subscription Price at the time of exercise and will be required initially to pay for both the common shares subscribed for pursuant to the Primary Subscription (i.e., the Rights to acquire new common shares during the Subscription Period) and, if eligible, any additional common shares subscribed for pursuant to the Over-Subscription Privilege at the estimated Subscription Price of $____per common share and, except in limited circumstances, will not be able to rescind their subscription.

The Fund announced the Offer on June 27, 2012. The net asset value per common share at the close of business on June 26, 2012 (the last trading date prior to the Fund s announcement of the Offer), was $24.52. The last reported sale price of a common share on the NYSE MKT on that date was $27.13, representing a 10.6% premium in relation to the then current net asset value per common share and in relation to the estimated Subscription Price.

Common shares of the Fund, as a closed-end fund, can trade at a discount to net asset value. Upon expiration of the Offer, common shares will be issued at a price below net asset value per share.

Sales by Subscription Agent

Holders of Rights who are unable or do not wish to exercise any or all of their Rights may instruct the Subscription Agent to sell any unexercised Rights. The Subscription Certificates representing the Rights to be sold by the Subscription Agent must be received on or before August 1, 2012, the fifth business day before the Expiration Date. Upon the timely receipt of the appropriate instructions to sell Rights, the Subscription Agent will use its best efforts to complete the sale and will remit the proceeds of sale, net of commissions, to the holders. The Subscription Agent will also attempt to sell any Rights (i) a Rights holder is unable to exercise because the Rights represent the right to subscribe for less than one new common share or (ii) attributable to shareholders whose record addresses are outside the United States or who have an APO or FPO address.

If the Rights can be sold, sales of the Rights will be deemed to have been effected at the weighted average price received by the Subscription Agent on the day such Rights are sold, less any applicable brokerage commissions, taxes and other expenses. The selling Rights holder will pay all brokerage commissions incurred by the Subscription Agent.

The Subscription Agent will automatically attempt to sell any unexercised Rights that remain unclaimed as a result of Subscription Certificates being returned by the postal authorities as undeliverable as of the fifth Business Day prior to the Expiration Date. These sales will be made net of commissions on behalf of the nonclaiming Rights holders. Proceeds from those sales will be held by the Fund s transfer agent, for the account of the nonclaiming Rights holder until the proceeds are either claimed or escheated. There can be no assurance that the Subscription Agent will be able to complete the sale of any of these Rights and neither the Fund nor the Subscription Agent has guaranteed any minimum sales price for the Rights. All of these Rights will be sold at the market price, if any, through an exchange or market trading the Rights.

Common shareholders are urged to obtain a recent trading price for the Rights on the NYSE MKT from their broker, bank, financial advisor or the financial press.

Method of Transferring Rights

The value of the Rights, if any, will be reflected by the market price. Rights may be sold by individual holders or may be submitted to the Subscription Agent for sale. Any Rights submitted to the Subscription Agent for sale must be received by the Subscription Agent on or before August 1, 2012, five Business Days prior to the completion of the Subscription Period, due to normal settlement procedures.

Rights that are sold will not confer any right to acquire any common shares in the Primary or Secondary Over-Subscription, and any Record Date Shareholder who sells any Rights will not be eligible to participate in the Primary or Secondary Over-Subscription.

The Rights evidenced by a single Subscription Certificate may be transferred in whole by endorsing the Subscription Certificate for transfer in accordance with the accompanying instructions. A portion of the Rights evidenced by a single Subscription Certificate (but not fractional Rights) may be transferred by delivering to the Subscription Agent a Subscription Certificate properly endorsed for transfer, with instructions to register the portion of the Rights evidenced thereby in the name of the transferee (and to issue a new Subscription Certificate to the transferee evidencing the transferred Rights). In this event, a new Subscription Certificate evidencing the balance of the Rights will be issued to the Rights holder or, if the Rights holder so instructs, to an additional transferee.

Holders wishing to transfer all or a portion of their Rights (but not fractional Rights) should allow at least five Business Days prior to the Expiration Date for (i) the transfer instructions to be received and processed by the Subscription Agent, (ii) a new Subscription Certificate to be issued and transmitted to the transferee or transferees with respect to transferred Rights, and to the transferor with respect to retained Rights, if any, and (iii) the Rights evidenced by the new Subscription Certificates to be exercised or sold by the recipients thereof. Neither the Fund nor the Subscription Agent shall have any liability to a transferee or transferor of Rights if Subscription Certificates are not received in time for exercise or sale prior to the Expiration Date.

Table of Contents

Except for the fees charged by the Subscription Agent (which will be paid by the Fund as described below), all commissions, fees and other expenses (including brokerage commissions and transfer taxes) incurred in connection with the purchase, sale or exercise of Rights will be for the account of the transferor of the Rights, and none of these commissions, fees or expenses will be paid by the Fund or the Subscription Agent.

The Fund anticipates that the Rights will be eligible for transfer through, and that the exercise of the Offer may be effected through, the facilities of DTC.

Expiration of the Offer

The Offer will expire at 5:00 p.m., Eastern Time, on August 8, 2012, unless extended by the Fund (the Expiration Date). Rights will expire on the Expiration Date and thereafter may not be exercised.

Subscription Agent

The Subscription Agent is Computershare. The Subscription Agent will receive from the Fund an amount estimated to be $35,000, comprised of the fee for its services and the reimbursement for certain expenses related to the Offer.

Information Agent

INQUIRIES BY ALL HOLDERS OF RIGHTS SHOULD BE DIRECTED TO: THE INFORMATION AGENT, GEORGESON, TOLL-FREE AT 888-877-5373 OR PLEASE SEND WRITTEN REQUEST TO: 199 WATER STREET, 26TH FLR., NEW YORK, NEW YORK 10038; HOLDERS MAY ALSO CONSULT THEIR BROKERS OR NOMINEES.

Method of Exercising Rights

Rights may be exercised by completing and signing the reverse side of the Subscription Certificate and mailing it in the envelope provided, or otherwise delivering the completed and signed Subscription Certificate to the Subscription Agent, together with payment for the Shares as described below under Payment for Shares. Rights may also be exercised through a Rights holder s broker, who may charge the Rights holder a servicing fee in connection with such exercise.

Completed Subscription Certificates must be received by the Subscription Agent prior to 5:00 p.m. Eastern Time, on the Expiration Date (unless payment is effected by means of a notice of guaranteed delivery as described below under Payment for Shares). The Subscription Certificate and payment should be delivered to the Subscription Agent at the following addresses:

If By Mail:	Computershare
	Attn: Corporate Action Dept.
	P.O. Box 3301
	South Hackensack, NJ 07606
If By Overnight Courier:	Computershare
	Attn: Corporate Action Dept.
	480 Washington Boulevard, 27th FL
	Jersey City, NJ 07310

Payment for Shares

Holders of Rights who acquire common shares on Primary Subscription or pursuant to the Over-Subscription Privilege may choose between the following methods of payment:

30

Table of Contents

(1) A subscription will be accepted by the Subscription Agent if, prior to 5:00 p.m., Eastern Time, on the Expiration Date, the Subscription Agent has received a written notice of guaranteed delivery from a bank, a trust company, or an NYSE MKT member, guaranteeing delivery of: (i) payment for the common shares subscribed for in the Primary Subscription and additional common shares subscribed for pursuant to the Over-Subscription Privilege to the Subscription Agent based on the estimated Subscription Price of $____per common share, and (ii) a properly completed and executed Subscription Certificate, which: (1) designates your primary subscription and secondary over-subscription amounts, (2) provides a check (or amount in notice of guaranteed delivery), and (3) indicates whether you want to sell or transfer your Rights.

The Subscription Agent will not honor a notice of guaranteed delivery if a properly completed and executed Subscription Certificate and full payment is not received by the Subscription Agent by the close of business on the third Business Day after the Expiration Date. The notice of guaranteed delivery may be delivered to the Subscription Agent in the same manner as Subscription Certificates at the addresses set forth above, or may be transmitted to the Subscription Agent by facsimile transmission to fax number 201-680-4626; telephone number to confirm receipt 201-680-4860.

(2) Alternatively, a holder of Rights can send the Subscription Certificate together with payment in the form of a check. To be accepted, the payment, together with the executed Subscription Certificate, must be received by the Subscription Agent at the addresses noted above prior to 5:00 p.m., Eastern Time, on the Expiration Date. The Subscription Agent will deposit all checks received by it prior to the Expiration Date into a segregated account pending proration and distribution of the common shares issued pursuant to the Offer. The Subscription Agent will not accept cash as a means of payment for common shares issued pursuant to the Offer.

EXCEPT AS OTHERWISE SET FORTH BELOW, A PAYMENT PURSUANT TO THIS METHOD MUST BE IN UNITED STATES DOLLARS BY MONEY ORDER OR CHECK DRAWN ON A BANK LOCATED IN THE CONTINENTAL UNITED STATES, MUST BE PAYABLE TO **COMPUTERSHARE (ACTING ON BEHALF OF COMPUTERSHARE TRUST COMPANY N.A.)**, AND MUST ACCOMPANY AN EXECUTED SUBSCRIPTION CERTIFICATE TO BE ACCEPTED.

If the aggregate Subscription Price paid by a Record Date Shareholder is insufficient to purchase the number of common shares that the holder indicates are being subscribed for, or if a Record Date Shareholder does not specify the number of common shares to be purchased, then the Record Date Shareholder will be deemed to have exercised first, the Primary Subscription Rights (if not already fully exercised) and second, the Over-Subscription Privilege to the full extent of the payment tendered. If the aggregate Subscription Price paid by such holder is greater than the common shares he has indicated an intention to subscribe, then the Rights holder will be deemed to have exercised first, the Primary Subscription Rights (if not already fully subscribed) and second, the Over-Subscription Privilege to the full extent of the excess payment tendered.

Any payment required from a holder of Rights must be received by the Subscription Agent by the Expiration Date, or if the Rights holder has elected to make payment by means of a notice of guaranteed delivery, on the third Business Day after the Expiration Date. Whichever of the two methods of payment described above is used, issuance and delivery of the common shares purchased are subject to collection of checks and actual payment pursuant to any notice of guaranteed delivery.

Within ten Business Days following the Expiration Date (the Confirmation Date), a confirmation will be sent by the Subscription Agent to each holder of Rights (or, if the common shares are held by Cede or any other depository or nominee, to Cede or such other depository or nominee), showing (i) the number of common shares acquired pursuant to the Primary Subscription, (ii) the number of Excess

Table of Contents

Shares, if any, acquired pursuant to the Over-Subscription Privilege, (iii) the per common share and total purchase price for the common shares and (iv) any excess to be refunded by the Fund to such holder as a result of payment for common shares pursuant to the Over-Subscription Privilege which the holder is not acquiring.

Any payment required from a holder of Rights must be received by the Subscription Agent on the Expiration Date, or if the Rights holder has elected to make payment by means of a notice of guaranteed delivery, on the third Business Day after the Expiration Date. Any excess payment to be refunded by the Fund to a holder of Rights, or to be paid to a holder of Rights as a result of sales of Rights on his behalf by the Subscription Agent or exercises by Record Date Shareholders of their Over-Subscription Privileges, will be mailed by the Subscription Agent to the holder within ten Business Days after the Expiration Date. If any Rights holder exercises its right to acquire Shares pursuant to the Over-Subscription Privilege, any excess payment which would otherwise be refunded to the Rights holder will be applied by the Fund toward payment for common shares acquired pursuant to exercise of the Over-Subscription Privilege, if any.

A Rights holder will have no right to rescind a purchase after the Subscription Agent has received payment either by means of a notice of guaranteed delivery or a check.

If a holder of Rights who acquires common shares pursuant to the Primary Subscription or the Over-Subscription Privilege does not make payment of any amounts due, the Fund reserves the right to take any or all of the following actions: (i) find other purchasers for such subscribed-for and unpaid-for common shares; (ii) apply any payment actually received by it toward the purchase of the greatest whole number of common shares which could be acquired by such holder upon exercise of the Primary Subscription or the Over-Subscription Privilege; (iii) sell all or a portion of the common shares purchased by the holder, in the open market, and apply the proceeds to the amounts owed; and (iv) exercise any and all other rights or remedies to which it may be entitled, including, without limitation, the right to set off against payments actually received by it with respect to such subscribed common shares and to enforce the relevant guaranty of payment.

Nominees who hold common shares for the account of others, such as brokers, dealers or depositories for securities, should notify the respective beneficial owners of the common shares as soon as possible to ascertain such beneficial owners intentions and to obtain instructions with respect to the Rights. If the beneficial owner so instructs, the record holder of the Rights should complete Subscription Certificates and submit them to the Subscription Agent with the proper payment. In addition, beneficial owners of common shares or Rights held through such a nominee should contact the nominee and request the nominee to effect transactions in accordance with the beneficial owner s instructions. **Banks, broker-dealers and trust companies that hold common shares for the accounts of others are advised to notify those persons that purchase Rights in the secondary market that such Rights may not participate in the Over-Subscription Privilege.**

THE INSTRUCTIONS ACCOMPANYING THE SUBSCRIPTION CERTIFICATES SHOULD BE READ CAREFULLY AND FOLLOWED IN DETAIL. DO NOT SEND SUBSCRIPTION CERTIFICATES TO THE FUND.

The method of delivery of Subscription Certificates and payment of the aggregate Subscription Price to the Subscription Agent will be at the election and risk of the Rights holders, but, if sent by mail, it is recommended that the certificates and payments be sent by registered mail, properly insured, with return receipt requested, and that a sufficient number of days be allowed to ensure delivery to the Subscription Agent and clearance of payment prior to 5:00 p.m., Eastern Time, on the Expiration Date. Because uncertified personal checks may take at least five Business Days or more to clear, you are strongly urged to pay, or arrange for payment, by means of a certified or cashier s check or money order.

Table of Contents

All questions concerning the timeliness, validity, form and eligibility of any exercise of Rights will be determined by the Fund, whose determinations will be final and binding. The Fund, in its sole discretion, may waive any defect or irregularity, or permit a defect or irregularity to be corrected within such time as it may determine, or reject the purported exercise of any Right. Subscriptions will not be deemed to have been received or accepted until all irregularities have been waived or cured within such time as the Fund determines in its sole discretion. Neither the Fund nor the Subscription Agent will be under any duty to give notification of any defect or irregularity in connection with the submission of Subscription Certificates or incur any liability for failure to give such notification.

Rights holders who have exercised their rights will have no right to rescind their subscription after receipt by the subscription agent of the completed Subscription Certificate together with payment for common shares, except as described under Notice of net asset value decline.

Foreign Restrictions

Subscription Certificates will only be mailed to Record Date Shareholders whose addresses are within the United States (other than an APO or FPO address). Record Date Shareholders whose addresses are outside the United States or who have an APO or FPO address and who wish to subscribe to the Offer either in part or in full should contact the Subscription Agent in writing or by recorded telephone conversation no later than five Business Days prior to the Expiration Date. The Fund will determine whether the Offer may be made to any such Record Date Shareholder. If the Subscription Agent has received no instruction by the fifth Business Day prior to the Expiration Date or the Fund has determined that the Offer may not be made to a particular shareholder, the Subscription Agent will attempt to sell all of such shareholder s Rights and remit the net proceeds, if any, to such shareholder. If the Rights can be sold, sales of these Rights will be deemed to have been effected at the weighted average price received by the Subscription Agent on the day the Rights are sold, less any applicable brokerage commissions, taxes and other expenses.

Notice of Net Asset Value Decline

In accordance with SEC regulatory requirements, the Fund has undertaken to suspend the Offer until the Fund amends this Prospectus if, after the effective date of the Fund s registration statement relating to this Offer, the Fund s net asset value declines more than 10% from the Fund s net asset value as of that date. If this occurs, the Expiration Date will be extended and the Fund will notify Record Date Shareholders of the decline and permit them to cancel their exercise of Rights.

Certain United States Federal Income Tax Consequences

The following is a general summary of the material U.S. federal income tax consequences of the Offer under the provisions of the Code, Treasury regulations promulgated thereunder (Treasury regulations), and other applicable authorities in effect as of the date of this Prospectus that are generally applicable to Record Date Shareholders and other Rights holders who are United States persons within the meaning of the Code, and does not address any foreign, state, local or other tax consequences. These authorities may be changed, possibly with retroactive effect, or subject to new legislative, administrative or judicial action. record date shareholders and other rights holders should consult their tax advisors regarding the tax consequences, including U.S. federal, state, local, foreign or other tax consequences, relevant to their particular circumstances.

The Fund believes that the value of a Right will not be includible in the income of a Record Date Shareholder at the time the Right is issued, and the Fund will not report to the IRS that a Record Date Shareholder has income as a result of the issuance of the Right; however, there is no guidance directly on point concerning certain aspects of the Offer. The remainder of this discussion assumes that the receipt of the Rights by Record Date Shareholders will not be a taxable event for U.S. federal income tax purposes.

Table of Contents

The basis of a Right issued to a Record Date Shareholder will be zero, and the basis of the common share with respect to which the Right was issued (the Old Common Share) will remain unchanged. The Record Date Shareholder only is required to allocate the basis of the Old Common Share and the Right in proportion to their respective fair market values on the date of distribution if (i) either (a) the fair market value of the Right on the date of distribution is at least 15% of the fair market value of the Old Common Share on that date, or (b) the Record Date Shareholder affirmatively elects (in the manner set out in Treasury regulations) to allocate to the Right a portion of the basis of the Old Common Share and (ii) the Right does not expire unexercised in the hands of the Record Date Shareholder (*i.e.*, the Record Date Shareholder either exercises or sells the Right following its issuance).

No loss will be recognized by a Record Date Shareholder if a Right distributed to such Record Date Shareholder expires unexercised in the hands of such Record Date Shareholder.

The basis of a Right purchased in the market will generally be its purchase price. If a Right that has been purchased in the market expires unexercised, the holder will recognize a loss equal to the basis of the Right.

Any gain or loss on the sale of a Right or, in the case of Rights purchased in the market, any loss from a Right that expires unexercised, will be a capital gain or loss if the Right is held as a capital asset (which in the case of Rights issued to Record Date Shareholders will depend on whether the Old Common Share is held as a capital asset), and will be a long-term capital gain or loss if the holding period of the Right exceeds (or is deemed to exceed) one year. The deductibility of capital losses is subject to limitation. The holding period of a Right issued to a Record Date Shareholder will include the holding period of the Old Common Share.

No gain or loss will be recognized by a Rights holder upon the exercise of a Right, and the basis of any share acquired upon exercise of the right (the New Common Share) will equal the sum of the basis, if any, of the Right and the subscription price for the New Common Share. When a Rights holder exercises a Right, the Rights holder s holding period in the New Common Shares does not include the time during which the Rights holder held the unexercised Right; the holding period for the New Common Shares will begin no later than the date following the date of exercise of the Right.

You should consult a tax advisor regarding the U.S. federal tax consequences of acquiring, holding, disposing of and exercising Rights, and of allowing Rights to expire, in your particular circumstances, as well as any tax consequences that may arise under the laws of any state, local or foreign taxing jurisdiction.

Employee Plan Considerations

The Employee Retirement Income Security Act of 1974, as amended (ERISA) and the Code contain certain fiduciary responsibility and prohibited transaction provisions applicable to rights holders that are employee benefit plans subject to ERISA or Section 4915 of the Code, including corporate savings and 401(k) plans, Keogh Plans of self-employed individuals and Individual Retirement Accounts (IRA) (each, a Benefit Plan and collectively, Benefit Plans). Due to the complexity of these rules and the penalties for noncompliance, fiduciaries of Benefit Plans and other retirement plans should consult with their counsel and advisors regarding the consequences of their exercise or transfer of Rights under ERISA and the Code.

As described above, existing shareholders who do not fully exercise their Rights will, at the completion of the Offer, own a smaller proportional interest in the Fund than they owned prior to the Offer. The exercise of Rights will require the future funding of cash. See The Offer Subscription Price. Benefit Plans, should be aware that additional contributions of cash to the Benefit Plan necessary in order to fund the exercise of Rights may be treated as Benefit Plan contributions and, when taken together with

Table of Contents

contributions previously made, may subject a Benefit Plan to excise taxes for excess or nondeductible contributions. In the case of Benefit Plans qualified under Section 401(a) of the Code, and certain other retirement plans, additional cash contributions could cause the maximum contribution limitations of Section 415 of the Code or other qualification rules to be violated. Benefit Plans contemplating making additional cash contributions to the Benefit Plan to fund the exercise of Rights should consult with their counsel prior to making such contributions.

Benefit Plans and other tax exempt entities, including governmental plans, should also be aware that if they borrow in order to finance their exercise of Rights, they may become subject to the tax on unrelated business taxable income (UBTI) under Section 511 of the Code. If any portion of an IRA is used as security for a loan, the portion so used is also treated as distributed to the IRA depositor.

USE OF PROCEEDS

The Fund estimates the net proceeds of the Offer to be $____, based on the estimated Subscription Price per common share of $____, assuming all Primary Subscription Shares offered are sold and that the expenses related to the Offer estimated at approximately $500,000 are paid.

The Investment Adviser expects that it will initially invest the proceeds of the offering in high-quality short-term debt securities and instruments. The Investment Adviser anticipates that the investment of the proceeds will be made in accordance with the Fund s investment objective and policies as appropriate investment opportunities are identified, which is expected to be substantially completed within three months; however, the identification of appropriate investment opportunities pursuant to the Fund s investment style or changes in market conditions may cause the investment period to extend as long as six months.

THE FUND

The Fund is a closed-end, non-diversified management investment company registered under the 1940 Act. The Fund was organized as a Delaware statutory trust on September 15, 2003 pursuant to the Declaration of Trust governed by the laws of the state of Delaware. The Fund s principal office is located at 1290 Broadway, Suite 1100, Denver, Colorado 80203 and its telephone number is (800) 644-5571 (toll-free).

INVESTMENT OBJECTIVE AND POLICIES

General

The Fund s investment objective is to provide a high level of after-tax income and total return consisting primarily of tax-advantaged dividend income and capital appreciation. The Fund pursues this objective by investing at least 80% of its total assets in the securities of domestic and foreign companies involved to a significant extent in providing products, services or equipment for (i) the generation or distribution of electricity, gas or water, (ii) telecommunications activities or (iii) infrastructure operations, such as airport, toll roads and municipal services (Utilities or the Utility Industry). A company will be deemed to be involved in the Utility Industry to a significant extent if at least 50% of its assets, gross income or profits are committed to or derived from activities in the areas described above. The remaining 20% of the Fund s total assets may be invested in other securities including stocks, debt obligations, money market securities and money market instruments, as well as certain derivative instruments (as described in Investment Techniques below) and other investments. Moreover, should extraordinary conditions affecting the Utility Industry or securities markets as a whole warrant, the Fund may temporarily hold cash or be primarily invested in money market instruments. When the Fund is invested in these instruments for temporary or defensive purposes, it may not be pursuing its investment objective.

Table of Contents

The Fund may invest in debt securities if deemed advisable by Reaves to increase income or total return or reduce risk. Reaves retains broad discretion to alter the allocation of the Fund s investments among common stocks, preferred stocks and debt securities in the manner it believes will best effectuate the Fund s investment objective.

The Fund seeks dividend income that qualifies for favorable federal income tax treatment. Under current federal income tax law, tax-advantaged dividends received by individual shareholders are taxed at rates equivalent to long-term capital gain tax rates, which reach a maximum of 15%. Tax-advantaged dividends generally include dividends from domestic corporations and dividends from foreign corporations that meet certain specified criteria. The Fund generally can pass the tax treatment of tax-advantaged dividends it receives through to its common shareholders. For the Fund to receive tax-advantaged dividend income, the Fund must hold stock paying an otherwise tax-advantaged dividend for more than 60 days during the 120-day period beginning 60 days before the ex-dividend date (or more than 90 days during the associated 180-day period, in the case of certain preferred stocks). In addition, the Fund cannot be obligated to make related payments (pursuant to a short sale or otherwise) with respect to substantially similar or related property. Similar provisions apply to each common shareholder s investment in the Fund. In order for otherwise tax-advantaged dividends from the Fund received by a common shareholder to be taxable at long-term capital gains rates, the common shareholder must hold his or her Fund shares for more than 60 days during the 120-day period surrounding the ex-dividend date. The provisions of the Code applicable to tax-advantaged dividends are effective through 2012. Thereafter, higher tax rates will apply unless further legislative action is taken.

In addition to investing in stocks that pay tax-advantaged dividends, the Fund may also invest a portion of its assets in stocks and other securities that generate fully taxable ordinary income. For any year, so long as the Fund s fully taxable ordinary income and net realized short-term gains are offset by expenses of the Fund, all of the Fund s income distributions would be characterized as tax-advantaged dividends. There can be no assurance as to what portion of the Fund s income distributions will be tax-advantaged.

The Fund may seek to enhance the level of tax-advantaged dividend income it receives by engaging in dividend capture trading. In a dividend capture trade, the Fund would sell a stock that it held past its ex-dividend date to purchase another stock paying a dividend before the next dividend of the stock being sold. By entering into such trades, the Fund could augment the amount of dividend income it receives over the course of a year. In order for dividends to qualify as tax-advantaged dividends, the Fund must comply with the holding period requirements described herein. The use of dividend capture strategies will expose the Fund to increased trading costs and potential for capital loss.

The investment policy of the Fund of investing at least 80% of the Fund s total assets in common and preferred stocks and debt instruments of companies involved to a significant extent in the Utility Industry may be changed by the Board without shareholder approval. Common shareholders will, however, receive at least 60 days prior notice of any change in this policy.

The Fund may invest in securities of issuers located in countries other than the United States and may invest in such foreign securities without limitation. Investing in securities of foreign issuers, which generally are denominated in foreign currencies, may involve certain risk and opportunity considerations not typically associated with investing in domestic companies and could cause the Fund to be affected favorably or unfavorably by changes in currency exchange rates and revaluations of currencies.

The Fund s investment objective may not be changed without shareholder approval. In addition, certain investment policies and restrictions of the Fund may not be changed without shareholder approval. See Additional Investment Information and Restrictions in the Statement of Additional Information.

Investment Strategy

The Fund invests primarily in dividend-paying common and preferred stocks that are producing what Reaves considers to be attractive current levels of tax-advantaged dividend income. Common stock investments are generally made if Reaves believes there is potential for growth of income and capital appreciation over time. Preferred stock investments take into consideration Reaves assessment of the interest rate sensitivity of the investments. The Fund may invest in debt securities where Reaves determines that such investments are advisable to increase income or total return or to reduce risk.

Reaves underlying investment belief is that stocks of companies with conservative capital structures, a solid balance sheet, a strong earnings outlook, secure and growing dividends and good relative market valuations will tend to outperform the market over the long term. A team of professionals at Reaves apply this investment approach in managing the Fund s investment portfolio and allocating its investments among common and preferred stocks and other types of securities. Different groups within the team with specialized expertise in the Utility Industry and other market sectors are assigned responsibility for day-to-day management of different portions of the portfolio.

In making investment decisions, the portfolio managers utilize the expertise of and information provided by Reaves staff of research analysts. The analysts screen the equity universe and apply quantitative and qualitative analysis to identify mid-cap and large cap companies in the Utility Industry and other market sectors that meet Reaves general investment standards, provide critical products and services and pay above average dividends. The analysts also look for and evaluate informally on a daily basis and more formally at weekly meetings a variety of factors, including a company s earnings and cash flow capabilities, dividend prospects and tax treatment of dividends, strength of business franchises and estimates of net value. In selecting investments from among companies recommended by the analysts, the portfolio managers also consider positive catalysts that may unlock market value, such as industry consolidation, management and regulatory change and other developments that may result in future broad market recognition. Many of the considerations entering into the analysts recommendations and the portfolio managers decisions are subjective.

The Fund s portfolio is actively managed and securities may be bought or sold on a daily basis. Investments are added to the portfolio if they satisfy value-based criteria or contribute to the portfolio s risk profile. Investments are removed from the portfolio if they exceed full value, add inefficient risk or the initial investment thesis fails. In general, stocks with lower than market volatility, correlation and similar characteristics are preferred in an equity investment process that focuses on bottom-up stock selection.

Securities of the Utility Industry

The Fund generally invests at least 80% of its total assets in the securities of domestic and foreign companies involved to a significant extent in providing products, services or equipment for (i) the generation or distribution of electricity, gas or water, (ii) telecommunications activities or (iii) infrastructure operations, such as airports, toll roads and municipal services. Utilities securities are currently the highest yielding equity sector and have experienced less volatile historic returns relative to the broader stock market. Because of their historically low correlation to the broader equity market, bond market and other types of investments, utilities securities can provide effective diversification to an overall investment portfolio.

Certain segments of the industry and individual companies within such segments may not perform as well as the industry as a whole. Many utility companies historically have been subject to risks of increases in fuel and other operating costs, high interest costs on borrowings needed for capital improvement programs and costs associated with compliance with and changes in environmental and other governmental regulations Rates of return on investment of certain utility companies are subject to approval by government regulators. There can be no assurance that changes in regulatory policies or accounting standards will not negatively affect utility companies earnings or dividends. Costs incurred by utilities, such as fuel and purchased power costs, often are subject to immediate market action resulting from such things as political or military forces operating in geographic regions where oil production is concentrated or global or regional weather conditions, such as droughts, while the rates of return of utility companies generally are subject to review and limitation by state public utility commissions, which often results in a lag or an absence of correlation between costs and return. It is also possible that costs may not be offset by return. Certain utilities may have exposure to unregulated operations which may have a higher risk profile than traditional utility operations. These include the marketing and trading of commodities including electricity and gas, as well as the ownership and operation of unregulated, merchant generation. The marketing and trading of commodities involve a variety of risks, principally exposure to commodity prices and access to capital. During the 2008-2009 financial crisis a number of industry participants came under severe duress as they struggled to maintain access to capital markets. Merchant generation is a highly cyclical industry with a high degree of operating leverage that is, a small change in the price of power can have a significant impact on profitability. Over the last five years merchant generators, especially those generating electricity from nuclear reactors and coal plants, have been materially weakened by the decline in power prices which has been a direct result of the decline in natural gas prices caused by the development of significant new gas reserves in the United States and Canada. Further, many of the plants that utilize coal as a fuel could face increased expense complying with environmental regulations that they may or may not be able to recover in the market.

Portfolio Investments

Common Stocks

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

Preferred Stocks

Preferred stock, like common stock, represents an equity ownership in an issuer. Generally, preferred stock has a priority of claim over common stock in dividend payments and upon liquidation of the issuer. Unlike common stock, preferred stock does not usually have voting rights. Preferred stock in some instances is convertible into common stock.

Although they are equity securities, preferred stocks have certain characteristics of both debt and common stock. They are debt-like in that their promised income is contractually fixed. They are common stock-like in that they do not have rights to precipitate bankruptcy proceedings or collection activities in the event of missed payments. Furthermore, they have many of the key characteristics of equity due to their subordinated position in an issuer s capital structure and because their quality and value are heavily dependent on the profitability of the issuer rather than on any legal claims to specific assets or cash flows.

In order to be payable, dividends on preferred stock must be declared by the issuer s board of directors or trustees. In addition, distributions on preferred stock may be subject to deferral and thus may not be automatically payable. Income payments on some preferred stocks are cumulative, causing dividends and distributions to accrue even if not declared by the board of directors or trustees or otherwise made payable. Other preferred stocks are non-cumulative, meaning that skipped dividends and distributions do not continue to accrue. There is no assurance that dividends on preferred stocks in which the Fund invests will be declared or otherwise made payable. The Fund may invest in non-cumulative preferred stock, although Reaves would consider, among other factors, their non-cumulative nature in making any decision to purchase or sell such securities.

Shares of preferred stock have a liquidation value that generally equals the original purchase price at the date of issuance. The market values of preferred stock may be affected by favorable and unfavorable changes impacting the issuers industries or sectors. They may also be affected by actual and anticipated changes or ambiguities in the tax status of the security and by actual and anticipated changes or ambiguities in tax laws, such as changes in corporate and individual income tax rates and in the dividends received deduction or the characterization of dividends as tax-advantaged as described herein.

Because the claim on an issuer s earnings represented by preferred stock may become onerous when interest rates fall below the rate payable on the stock or for other reasons, the issuer may redeem preferred stock, generally after an initial period of call protection in which the stock is not redeemable. Thus, in declining interest rate environments in particular, the Fund s holdings of higher dividend-paying preferred stocks may be reduced and the Fund may be unable to acquire securities paying comparable rates with the redemption proceeds.

Corporate Bonds and Other Debt Securities

If deemed advisable by Reaves to increase income or total return or to reduce risk, the Fund may also invest in corporate bonds, debentures and other debt securities of companies in the Utility Industry or other industries and sectors. Debt securities in which the Fund may invest may pay fixed or variable rates of interest. Bonds and other debt securities generally are issued by corporations and other issuers to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest and normally must repay the amount borrowed on or before maturity. Certain debt securities are perpetual in that they have no maturity date.

The Fund will not invest more than 15% of its total assets in securities rated below investment grade. The foregoing credit quality policies apply only at the time a security is purchased, and the Fund is not required to dispose of securities already owned by the Fund in the event of a change in assessment of credit quality or the removal of a rating.

The Fund may invest in corporate bonds including below investment grade quality (e.g., rated below BBB by Standard & Poor s Financial Services LLC (S&P), below Baa by Moody s Investors Service, Inc. (Moody s) or below BBB- by Fitch, Inc. (Fitch) , or unrated securities that Reaves considers to be their equivalent), commonly known as junk bonds (Non-Investment Grade Bonds). Investments in Non-Investment Grade Bonds generally provide greater income and increased opportunity for capital appreciation than investments in higher quality securities, but they also typically entail greater price volatility and principal and income risk, including the possibility of issuer default and bankruptcy. Non-Investment Grade Bonds are regarded as predominantly speculative with respect to the issuer s continuing ability to meet principal and interest payments. Debt securities in the lowest investment grade category also may be considered to possess some speculative characteristics by certain rating agencies. In addition, analysis of the creditworthiness of issuers of Non-Investment Grade Bonds may be more complex than for issuers of higher quality securities.

Non-Investment Grade Bonds may be more susceptible to real or perceived adverse economic and competitive industry conditions than investment grade securities. A projection of an economic downturn or of a period of rising interest rates, for example, could cause a decline in Non-Investment Grade Bond prices because the advent of recession could lessen the ability of an issuer to make principal

Table of Contents

and interest payments on its debt obligations. If an issuer of Non-Investment Grade Bonds defaults, in addition to risking payment of all or a portion of interest and principal, the Fund may incur additional expenses to seek recovery. In the case of Non-Investment Grade Bonds structured as zero-coupon, step-up or payment-in- kind securities, their market prices will normally be affected to a greater extent by interest rate changes, and therefore tend to be more volatile than securities which pay interest currently and in cash. Reaves seeks to reduce these risks through diversification, credit analysis and attention to current developments in both the economy and financial markets.

The secondary market on which Non-