RETAIL VENTURES INC
Form S-3/A
July 17, 2006

Table of Contents

As filed with the Securities and Exchange Commission on July 14, 2006
Registration No. 333 - 134225

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 2
to
Form S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Retail Ventures, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Ohio	**20-0090238**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification Number)*

3241 Westerville Road
Columbus, Ohio 43224
(614) 471-4722
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant s Principal Executive Offices)

James A. McGrady
Executive Vice President, Chief Financial Officer and Treasurer
Retail Ventures, Inc.
3241 Westerville Road
Columbus, Ohio 43224
(614) 471-4722
(Name, address, including zip code, and telephone number, including area code, of agent for service)

With copies to:

Robert M. Chilstrom	**Steven J. Slutzky**
Skadden, Arps, Slate, Meagher & Flom LLP	**Debevoise & Plimpton LLP**
Four Times Square	**919 Third Avenue**
New York, NY 10036	**New York, NY 10022**
Tel.: (212) 725-3000	**Tel: (212) 909-6000**

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. o

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box. o

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. o

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 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. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities, and is not soliciting offers to buy these securities, in any state or jurisdiction where the offer or sale is not permitted.

Subject to Completion, dated July 14, 2006.

PROSPECTUS

$125,000,000 PIES[SM]
(Premium Income Exchangeable Securities[SM])
% Mandatorily Exchangeable Notes Due , 2011
(Subject to exchange into Class A common shares of DSW Inc.)

This is an offering by us of $125,000,000 aggregate principal amount of % Mandatorily Exchangeable Notes Due , 2011, or PIES. The PIES are also referred to as Premium Income Exchangeable Securities.

The PIES will bear a coupon at an annual rate of % of the principal amount, payable quarterly in arrears on , , , and of each year, commencing on , 2006 and ending on , 2011.

The PIES do not guarantee any return of principal. On the maturity date (unless the exchange has been accelerated as described in this prospectus), we will exchange your PIES into a number of Class A common shares of DSW Inc., or DSW (or the cash value thereof, as described below), equal to the exchange ratio. The exchange ratio will depend upon the price of DSW Class A common shares during the 20 consecutive trading day period ending on the third trading day immediately preceding the maturity date. The exchange ratio will be calculated, with respect to each $50 principal amount of PIES being exchanged on the maturity date, as follows (subject to adjustment as described in this prospectus):

- if the average of the volume weighted average prices of DSW Class A common shares over the 20 consecutive trading day period ending on the third trading day prior to the maturity date equals or exceeds $, the exchange ratio will be shares;

- if the average of the volume weighted average prices of DSW Class A common shares over the same period is less than $ but is greater than $, the exchange ratio will be between and shares; and

- if the average of the volume weighted average prices of DSW Class A common shares over the same period is less than or equal to $ the exchange ratio will be shares.

As a result, on the maturity date (unless the exchange has been accelerated as described in this prospectus), you will receive a total of between and DSW Class A common shares for each $50 principal amount of PIES you own, subject to adjustment as described in this prospectus. We may elect, however, upon 25 business days prior notice, to pay you on the maturity date the cash value of all or a portion of the DSW Class A common shares, in lieu of delivering the DSW Class A common shares.

We will initially pledge a number of Class B common shares of DSW (which are exchangeable by us for DSW Class A common shares) equal to the maximum number of DSW Class A common shares deliverable by us upon exchange of the PIES to secure our obligation under the PIES.

Investing in the PIES is not equivalent to investing in DSW Class A common shares. You will not have the right to exchange your PIES for DSW Class A common shares prior to the maturity date (unless the exchange has been accelerated as described in this prospectus).

The PIES are obligations of Retail Ventures, Inc. DSW will have no obligation of any kind with respect to the PIES.

We have attached to this prospectus the prospectus of DSW relating to DSW Class A common shares that you will receive upon exchange of the PIES, unless we elect to pay you the cash value of all or a portion of the DSW Class A common shares. The DSW prospectus does not constitute a part of this prospectus, nor is it incorporated into this

prospectus by reference.

The DSW Class A common shares are listed on the New York Stock Exchange, or the NYSE, under the symbol DSW. The last reported sale price of DSW Class A common shares on the NYSE on July 13, 2006 was $33.35 per share. We intend to apply to list the PIES on the NYSE under the symbol RVH.

Investing in the PIES involves risks. See Risk Factors beginning on page 8.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these PIES or determined that this prospectus or the accompanying DSW prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per $50 Principal Amount of PIES	**Total**
Public offering price(1)	$	$
Underwriting discount	$	$
Proceeds, before expenses, to us(1)	$	$

(1) Plus accrued coupon, if any, from , 2006, if settlement occurs after that date.

We have granted the underwriter a 30-day option to purchase up to an additional $18,750,000 aggregate principal amount of PIES from us on the same terms and conditions as set forth in this prospectus if the underwriter sells more than $125,000,000 aggregate principal amount of PIES in connection with this offering.

Lehman Brothers expects to deliver the PIES in book-entry form on or about , 2006.

Lehman Brothers

, 2006

PIES and Premium Income Exchangeable Securities are service marks owned by Lehman Brothers Inc.

You should rely only on the information provided in this prospectus, as well as the information incorporated by reference. We have not authorized anyone to provide you with different information. We are not making an offer to sell the PIES in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus or any documents incorporated by reference herein is accurate only as of the date of the applicable document.

Because the PIES will generally be settled in DSW Class A common shares (unless we elect to pay the cash value thereof), we have included in this prospectus certain limited information about DSW, and we have attached to this prospectus the DSW prospectus, that more fully describes DSW and DSW Class A common shares that you may receive upon maturity of the PIES. The DSW prospectus does not constitute a part of this prospectus, nor is it incorporated into this prospectus by reference.

TABLE OF CONTENTS
PROSPECTUS

Table of Contents

PROSPECTUS SUMMARY

This summary highlights the material information regarding this offering contained elsewhere in this prospectus. This summary does not contain all the information you should consider before investing in our PIES. Before investing in our PIES, you should read this entire prospectus carefully, including the Risk Factors and Special Note Regarding Forward-Looking Statements sections.

As used in this prospectus Retail Ventures, Inc., or Retail Ventures, and its wholly-owned subsidiaries, including but not limited to, Value City Department Stores LLC, or Value City, and Filene s Basement, Inc., or Filene s Basement, and DSW Inc., or DSW, a controlled subsidiary, and DSW s wholly-owned subsidiary, DSW Shoe Warehouse, Inc., or DSWSW, are herein referred to collectively as we, us, our, or the Company, unless otherwise indicated.

Retail Ventures is a holding company operating retail stores in three segments: Value City, Filene s Basement and DSW. Value City is a full-line, value-price retailer carrying men s, women s and children s apparel, accessories, jewelry, shoes, home fashions, electronics and seasonal items. Located in the Midwest, mid-Atlantic and Southeastern United States and operating for over 80 years, Value City s strategy has been to provide exceptional value by offering a broad selection of brand name merchandise at prices substantially below conventional retail prices. As of April 29, 2006, there were 113 Value City stores in operation. Filene s Basement stores are located primarily in major metropolitan areas in the Northeast and Midwest. Filene s Basement s mission is to provide the best selection of stylish, high-end designer and famous brand name merchandise at surprisingly affordable prices in men s and women s apparel, jewelry, shoes, accessories and home goods. As of April 29, 2006, there were 26 Filene s Basement stores in operation. DSW is a leading U.S. specialty branded footwear retailer operating 204 shoe stores in 33 states as of April 29, 2006. DSW offers a wide selection of brand name and designer dress, casual and athletic footwear for women and men. DSW s typical customers are brand-, quality- and style-conscious shoppers who have a passion for footwear and accessories.

We own or license many trademarks and service marks. This prospectus contains trademarks, trade dress and trade names of other companies. Use or display of other parties trademarks, trade dress or trade names is not intended to, and does not, imply a relationship with the trademark, trade dress or trade name owner.

In this prospectus, our fiscal years ended February 2, 2002, February 1, 2003, January 31, 2004, January 29, 2005 and January 28, 2006 are referred to as fiscal 2001, 2002, 2003, 2004 and 2005, respectively. Our fiscal year consists of 52 or 53 weeks and ends on the Saturday closest to January 31 in each year. All years referred to in this prospectus consisted of 52 weeks. Our fiscal year 2006 consists of 53 weeks.

Table of Contents

THE OFFERING

Issuer	Retail Ventures, Inc., an Ohio corporation.
Securities Offered	$125,000,000 aggregate principal amount of % Mandatorily Exchangeable Notes Due , 2011, which we refer to as PIES, exchangeable into a number of Class A common shares of DSW Inc., an Ohio corporation, which we refer to as DSW Class A common shares, equal to the exchange ratio (or the cash value thereof) ($143,750,000 aggregate principal amount of PIES if the underwriter exercises its option in full to purchase additional PIES).
Ranking	The PIES will constitute our direct, senior obligations, ranking equally in right of payment with our existing and future senior debt. The PIES will be effectively junior to our other existing and future secured debt to the extent of the value of the assets securing that debt, and effectively subordinate to the debt and other liabilities, including trade payables and preferred stock, if any, of our subsidiaries. A substantial part of our operations is conducted through our subsidiaries. Certain of our subsidiaries, including Value City and Filene s Basement, but not DSW or DSWSW, are borrowers and/or guarantors under our loan agreements, including: the $275 million loan and security agreement, as amended, entered into with National City Business Credit Inc., as administrative agent, and the other parties named therein, originally entered into in June 2002, or the Value City Revolving Loan; the $240 million intercompany note, made payable by Retail Ventures to Value City, or the Intercompany Note; and/or the $50.0 million non-convertible loan among Cerberus Partners, L.P., as agent and lender, and Schottenstein Stores Corporation, or SSC, as lender, and the other parties named as guarantors therein, or the Non- Convertible Loan. The obligations under the Value City Revolving Loan and the Non-Convertible Loan are secured by a lien on substantially all the personal property of Retail Ventures and its wholly-owned subsidiaries, except that the assets of DSW and DSWSW do not secure either of these credit facilities, and the common shares of DSW owned by Retail Ventures currently secure the Non-Convertible Loan but not the Value City Revolving Loan. The obligations under these credit facilities are also secured by leasehold interests on certain of the leasehold properties of Value City and Filene s Basement. Our Intercompany Note is currently secured by the capital stock of DSW and Filene s Basement held by Retail Ventures. We expect to repay $49.5 million of the outstanding principal amount of the Non-Convertible Loan, together with fees and expenses relating thereto, with the proceeds of this offering. Upon completion of this offering, the lien on the common shares of DSW securing the Non-Convertible Loan, as well as the Intercompany Note will be released and the approximately $49.7 million remaining balance of the Intercompany Note will be

Table of Contents

	repaid. However, we will pledge sufficient DSW common shares to the collateral agent for the PIES to enable us to satisfy our obligations to deliver DSW Class A common shares upon exchange of the PIES, and sufficient DSW common shares will continue to be subject to liens and/or contractual obligations to enable us to satisfy our obligations to the warrantholders to deliver DSW Class A common shares upon exercise of the warrants. In addition, claims of unsecured creditors of our subsidiaries, including trade creditors, and claims of preferred shareholders, if any, of such subsidiaries will have priority with respect to the assets and earnings of such subsidiaries over the claims of creditors of Retail Ventures, including holders of the PIES. The PIES, therefore, are effectively subordinated to creditors, including trade creditors, and preferred shareholders, if any, of our subsidiaries. As of April 29, 2006, we had consolidated debt of $182.0 million, comprised of: $103.5 million under the Value City Revolving Loan; $50.0 million under the Non-Convertible Loan; and $28.5 million in capital lease obligations of Value City. The Value City Revolving Loan and the Non-Convertible Loan are secured credit facilities. There were no outstanding borrowings under the $150.0 million DSW Revolving Loan, among DSW and DSWSW, as borrowers, and National City Business Credit, Inc., as administrative agent and collateral agent, or the DSW Revolving Loan, which is also a secured credit facility. The DSW Revolving Loan is secured by substantially all the assets of DSW and DSWSW, including a pledge by DSW of the stock of DSWSW. As of the same date, we had $79.1 million and $141.0 million of additional capacity under the Value City Revolving Loan and the DSW Revolving Loan, respectively. There were $18.6 million and $9.0 million in letters of credit issued and outstanding under these loan facilities, respectively.
Coupon Payments	The PIES will bear a coupon at an annual rate of % of the principal amount thereof (equivalent to $ per year per $50 principal amount). Coupon payments on the PIES will accrue from , 2006 and will be payable quarterly in arrears on each of , , and , commencing on , 2006 and ending on , 2011.
Exchange Date	The PIES will be exchanged on , 2011, which we refer to as the maturity date, unless exchanged earlier following a cash merger of DSW or an acceleration following an event of default. See *Description of the PIES Early Exchange upon Cash Merger and Events of Default; Waiver.* We refer to the date of exchange of the PIES, whether on the maturity date or an earlier date pursuant to a cash merger or an acceleration following an event of default, as the exchange date.
Exchange	On the exchange date, we will deliver to you, with respect to each $50 principal amount of PIES that you hold, a number of DSW Class A common shares equal to the exchange ratio. In lieu of delivering DSW Class A common shares on the maturity date,

Table of Contents

	however, we may elect, upon 25 business days prior notice to the trustee, to settle all or part of our obligation in cash.
	The exchange ratio with respect to each $50 principal amount of PIES is equal to the number of DSW Class A common shares determined as follows:
	if the applicable market value of DSW Class A common shares equals or exceeds $ (which we refer to as the threshold appreciation price), the exchange ratio will be shares;
	if the applicable market value of DSW Class A common shares is less than $ but is greater than $ (which we refer to as the initial price), the exchange ratio will be equal to $50 divided by the applicable market value, which is between and shares; and
	if the applicable market value of DSW Class A common shares is less than or equal to $, the exchange ratio will be shares.
	Applicable market value means the average of the volume weighted average prices per DSW Class A common share during the 20 consecutive trading day period ending on the third trading day immediately preceding the maturity date, subject to adjustment.
	The exchange ratio, the threshold appreciation price, the initial price and the applicable market value are subject to adjustment upon the occurrence of certain events.
	No fractional DSW Class A common shares will be delivered upon exchange of the PIES.
	See *Description of the PIES Exchange of the PIES.*
Early Exchange upon Cash Merger	If DSW is involved in a merger, reclassification or sale of all or substantially all its assets, in which 30% or more of the consideration for the DSW Class A common shares consists of cash or cash equivalents, which we refer to as a cash merger, the exchange of the PIES will be accelerated.
	On the early exchange date, we will deliver to you the amount of cash that you would have been entitled to receive in the cash merger if you had exchanged your PIES into DSW Class A common shares immediately before the cash merger. This amount will equal the number of DSW Class A common shares you will be assumed to have received multiplied by the amount of cash received per DSW Class A common share in the cash merger. For purposes of calculating the applicable exchange ratio upon a cash merger, the applicable market value of DSW Class A common shares means the average of the volume weighted average prices per DSW Class A common share during the 10 consecutive trading day period ending on the trading day immediately preceding the effective date of the cash merger, subject to adjustment.

If 100% of the consideration is cash, the exchange of the PIES will be fully accelerated. In addition to the cash described above, you will receive in cash accrued and unpaid coupon payments

Table of Contents

	through the exchange date plus the present value of all future coupon payments. If less than 100% of the consideration is cash, the exchange of the PIES will be partially accelerated. In addition to the cash described above, your PIES will remain outstanding and subject to exchange on the maturity date with respect to the portion of the merger consideration that is not early exchanged. In the case of a partial acceleration, there will be no decrease in the amount of coupon payable on your PIES. See *Description of the PIES Early Exchange upon Cash Merger.*
Exchange Adjustments	If certain events affecting DSW Class A common shares occur prior to the exchange date, the exchange ratio, the threshold appreciation price, the initial price and the applicable market value are subject to adjustment and/or you will receive other property on the exchange date, instead of or in addition to DSW Class A common shares. See *Description of the PIES Exchange Adjustments.*
Collateral Requirement	Our exchange obligations under the PIES will be initially secured by a pledge of that number of our DSW Class B common shares (which are exchangeable for DSW Class A common shares) equal to the maximum number of DSW Class A common shares deliverable by us upon exchange of the PIES.
No Early Redemption or Early Optional Exchange by Us	We will not have the option to redeem the PIES or exchange the PIES into DSW Class A common shares prior to the maturity date (unless pursuant to a cash merger or an acceleration following an event of default).
No Early Repurchase or Early Exchange by You	You will not have the option to cause us to repurchase the PIES or exchange the PIES into DSW Class A common shares prior to the maturity date (unless pursuant to a cash merger or an acceleration following an event of default).
Consequences of Event of Default	In the case of an event of default arising from certain events of bankruptcy, insolvency or reorganization relating to us or any of our significant subsidiaries (which, as of the date hereof, includes DSW), the exchange of all outstanding PIES will be automatically accelerated. In the case of any other event of default, the exchange of all outstanding PIES will be accelerated upon notice from the trustee or the holders of not less than 25% of the aggregate principal amount of outstanding PIES. Upon acceleration, the PIES shall be exchanged and accrued and unpaid coupon payments and a yield maintenance premium equal to the present value of all future coupon payments shall become immediately due and payable. For purposes of calculating the applicable exchange ratio upon acceleration following an event of default, the applicable market value of DSW Class A common shares means the average of the volume weighted average prices per share of DSW Class A common shares during the 10 consecutive trading day period ending on the trading day

Table of Contents

	immediately preceding the date of acceleration, subject to adjustment.
Denomination; Form of the PIES	The PIES will be issued in fully registered form in denominations of $50 principal amount and whole multiples thereof. The PIES will be issued initially in the form of one or more global notes. The global notes will be deposited with, or on behalf of, DTC and registered in the name of DTC s nominee, Cede & Co.
Listing of the PIES	We intend to apply to have the PIES listed on the NYSE under the symbol RVH. Approval of our listing application is subject to the PIES meeting the NYSE listing standards, and therefore we cannot assure you that it will be approved.
Listing of DSW Class A Common Shares	The DSW Class A common shares are listed on the NYSE under the symbol DSW.
Use of Proceeds	Retail Ventures intends to use the net proceeds of the issuance and sale of the PIES to repay the approximately $49.7 million remaining balance of the Intercompany Note, and Value City will use such proceeds to repay $49.5 million of the outstanding principal amount of the $50 million Non-Convertible Loan, together with fees and expenses related thereto, and apply the balance for general corporate purposes, which may include repayment of borrowings under the Value City Revolving Loan. For additional information, see *Use of Proceeds.*
Governing Law	The PIES, the indenture and the collateral agreement will be governed by, and construed in accordance with, the laws of the State of New York.
Tax Consequences	By purchasing a PIES, you will be deemed to have agreed to characterize the PIES for all tax purposes as variable prepaid forward contracts. The summary below assumes that the PIES will be treated as such. Under the above characterization, for U.S. federal income tax purposes, your initial tax basis in a PIES should equal your cost for the PIES. Upon the sale or other taxable disposition of a PIES or the settlement of a PIES in cash, you should recognize long-or short-term capital gain or loss depending on the holding period of the PIES. On the settlement date (assuming we do not elect to settle all or part of our obligations in cash), you should recognize no gain or loss on the receipt of DSW common stock and your tax basis in such stock should equal your adjusted tax basis in the PIES (subject to reduction if cash is received in lieu of fractional shares). The tax treatment of the coupon payments is unclear under current authorities. To the extent we are required to file information returns with respect to the coupon payments, we intend to report such payments as ordinary income to you. If the coupon payments are not treated as ordinary income, your basis in the PIES may be reduced by the amount of the coupon payments. For additional information, see *United States Federal Income Tax Consequences.*
Trustee and Collateral Agent	HSBC Bank USA, National Association, or HSBC.

Table of Contents

Risk Factors

You should carefully consider the risks described under Risk Factors and other information contained and incorporated by reference in this prospectus before deciding to purchase the PIES. You should also carefully consider the information in the DSW prospectus, including the information described under Risk Factors in the DSW prospectus. The DSW prospectus does not constitute a part of our prospectus, nor is it incorporated into our prospectus by reference.

Table of Contents

RISK FACTORS

Investing in our PIES involves a high degree of risk. You should carefully consider the following factors, as well as other information contained in this prospectus, and incorporated by reference in this prospectus before deciding to purchase the PIES. You should also carefully consider the information in the DSW prospectus, including the information described under Risk Factors in the DSW prospectus. If any of the following risks actually occurs, our business, financial condition, operating results or cash flow could suffer materially and adversely. In this case, the trading price of our PIES could decline, and you could lose all or part of your investment.

Safe Harbor Under the Private Securities Litigation Reform Act of 1995

Certain information in the registration statement of which this prospectus is a part, particularly information regarding future economic performance and finances, and plans, expectations and objectives of management, is forward-looking. The following factors, in addition to other possible factors not listed, could affect our actual results and cause such results to differ materially from those expressed in forward-looking statements:

Risk Factors Relating to Our Business

If we are unable to retain current and attract new customers to our Value City business segment, our results of operations, cash flow, financial condition and business could be materially adversely affected.

Our ability to execute our new management s strategy for the Value City segment is necessary to reverse the downward sales trend we have experienced. This strategy includes acquiring the right mix of merchandise in our key fashion areas of women s and men s, acquiring in season merchandise sooner in the season in complete runs (size and color) in recognizable brands and identifying the prevailing fashion trend. Our advertising and marketing efforts to retain and draw new customers will need to be focused on this strategy. The failure to impact the customers we have and draw in new customers may further reduce profitability, which could, in turn, have a material adverse impact on our business, financial condition, cash flow and results of operations.

We may be unable to open all the DSW and Filene s Basement stores contemplated by our growth strategy on a timely basis, and new stores we open may not be profitable or may have an adverse impact on the profitability of existing stores, any of which could have a material adverse effect on our business, financial condition, cash flow and results of operations.

We intend to open approximately 30 DSW stores per year in each fiscal year from 2006 through 2010, and four Filene s Basement stores in fiscal 2006. However, we may not achieve our planned expansion on a timely and profitable basis or achieve results in new locations similar to those achieved in existing locations in prior periods. Our ability to open and operate new DSW and Filene s Basement stores successfully on a timely and profitable basis depends on many factors, including, among others, our ability to:

identify suitable markets and sites for new store locations;

negotiate favorable lease terms;

build-out or refurbish sites on a timely and effective basis;

obtain sufficient levels of inventory to meet the needs of new stores;

obtain sufficient financing and capital resources or generate sufficient cash flows from operations to fund growth;

successfully open new DSW and Filene s Basement stores in regions of the United States in which we currently have few or no stores;

open new stores at costs not significantly greater than those anticipated;

control the costs of other capital investments associated with store openings, including, for example, those related to the expansion of distribution facilities;

hire, train and retain qualified managers and store personnel; and

Table of Contents

successfully integrate new stores into our existing infrastructure, operations and management and distribution systems or adapt such infrastructure, operations and systems to accommodate our growth.

As a result, we may be unable to open new stores at the rates expected or at all. If we fail to successfully implement our growth strategy, the opening of new stores could be delayed or prevented, could cost more than anticipated and could divert resources from other areas of our business, any of which could have a material adverse effect on our business, financial condition, cash flow and results of operations.

To the extent that we open new stores in our existing markets, we may experience reduced net sales in existing stores in those markets. As the number of our stores increases, our stores will become more concentrated in the markets we serve. As a result, the number of customers and financial performance of individual stores may decline and the average sales per square foot at our stores may be reduced. This could have a material adverse effect on our business, financial condition, cash flow and results of operations.

We intend to open new DSW stores at an increased rate compared to historical years, and we intend to open new Filene s Basement stores, which could strain our resources and have a material adverse effect on our business and financial performance.

Our continued and future growth in our DSW and Filene s Basement segments largely depends on our ability to successfully open and operate new stores on a profitable basis. We intend to continue to open approximately 30 new DSW stores per year in each fiscal year from fiscal 2006 through 2010, and expect to open four new Filene s Basement Stores in fiscal 2006. As of April 29, 2006, we have signed leases for an additional 20 new DSW stores to be opened in fiscal 2006 and 2007, and three Filene s Basement stores to be opened in fiscal 2006. During fiscal 2005, the average investment required to open a typical new DSW store and Filene s Basement store was approximately $1.4 million and $4.0 million, respectively. This continued expansion could place increased demands on our financial, managerial, operational and administrative resources. For example, our planned expansion will require us to increase the number of people we employ, as well as to monitor and upgrade our management information and other systems and our distribution facilities. These increased demands and operating complexities could cause us to operate our business less efficiently, adversely affect our operations and financial performance and slow our growth.

We rely on our good relationships with vendors and their factors which provide vendor financing to purchase brand name and designer merchandise at favorable prices. If these relationships were to be impaired, we may not be able to obtain a sufficient selection of merchandise at attractive prices, and we may not be able to respond promptly to changing fashion trends, either of which could have a material adverse effect on our competitive position, our business and financial performance.

We do not have long-term supply agreements or exclusive arrangements with any vendors (except for greeting cards, bottled drinks and a program for supplying merchandise at the register for our Value City stores), and, therefore, our success depends on maintaining good relations with our vendors in all business segments. Since our business is fundamentally dependent on selling brand name and designer merchandise at attractive prices, we must continue to obtain from our vendors a wide selection of this merchandise at favorable wholesale prices. Our growth strategy depends to a significant extent on the willingness and ability of our vendors to supply us with sufficient inventory to stock our stores, and of their factors to provide them with vendor financing. If we fail to continue to deepen and strengthen our relations with our existing vendors and their factors, or to enhance the quality of merchandise they supply us, and if we cannot maintain or acquire new vendors of in-season brand name and designer merchandise, we may limit our ability to obtain a sufficient amount and variety of merchandise at favorable prices, which could have a negative impact on our competitive position.

During fiscal 2005, taking into account industry consolidation, merchandise supplied to our DSW segment by three key vendors accounted for approximately 22% of DSW s net sales. The loss or reduction in the amount of merchandise made available by any one of these key vendors could have a material adverse effect on our business.

Table of Contents

We may be unable to anticipate and respond to fashion trends and consumer preferences in the markets in which we operate, which could materially adversely affect our business, financial condition, cash flow and results of operations.

Our merchandising strategy is based on identifying each region s customer base and having the proper mix of products in each store across our segments to attract its target customers. This requires us to anticipate and respond to numerous and fluctuating variables in fashion trends and other conditions in the markets in which our stores are situated. A variety of factors will affect our ability to maintain the proper mix of products in each store, including:

variations in local economic conditions, which could affect our customers discretionary spending;

unanticipated fashion trends;

our success in developing and maintaining vendor relationships that provide us access to in-season merchandise at attractive prices;

our success in distributing merchandise to our stores in an efficient manner; and

changes in weather patterns, which in turn affect consumer preferences.

If we are unable to anticipate and fulfill the merchandise needs of each region, we may experience decreases in our net sales and may be forced to increase markdowns in relation to slow-moving merchandise, either of which could have a material adverse effect on our business, financial condition, cash flow and results of operations.

Our operations are affected by seasonal variability.

Our operations have been historically seasonal, with a disproportionate amount of sales and a majority of net income occurring in the Fall and Christmas selling seasons for Value City and Filene s Basement. DSW net sales have typically been higher in Spring and early Fall. As a result of seasonality, any factors negatively affecting us during these periods, including adverse weather, the timing and level of markdowns or unfavorable economic conditions, could have a material adverse effect on our financial condition, cash flow and results of operations for the entire year.

Our comparable store sales and quarterly financial performance may fluctuate for a variety of reasons in addition to seasonal factors, which could result in a decline in the price of the PIES.

Our business is sensitive to customers spending patterns, which in turn are subject to prevailing regional and national economic conditions and the general level of economic activity. Our comparable store sales and quarterly results of operations have fluctuated in the past, and we expect them to continue to fluctuate in the future. In addition to seasonal fluctuations, including weather patterns, a variety of other factors affect our comparable store sales and quarterly financial performance, including:

changes in our merchandising strategy;

timing and concentration of new store openings and related pre-opening and other start-up costs;

levels of pre-opening expenses associated with new stores;

changes in our merchandise mix;

changes in and regional variations in demographic and population characteristics;

timing of promotional events;

actions by our competitors; and

general United States economic conditions and, in particular, the retail sales environment.

Accordingly, our results for any one fiscal quarter are not necessarily indicative of the results to be expected for any other quarter, and comparable store sales for any particular future period may decrease. In the future, our financial performance may fall below the expectations of securities analysts and investors. In that event, the price of our PIES would likely decline.

Table of Contents

We have debt which could have consequences if we were unable to repay the balances or interest due.

The debt on our balance sheet could, among other things:

limit our flexibility in planning for, or reacting to, changes in our industry in which we operate;

place us at a competitive disadvantage compared to our competitors that have less debt;

limit our ability to seek and borrow additional funds; and

expose us to risks inherent in interest rate fluctuations because some of our borrowings are at variable rates of interest, which could result in higher interest expense in the event of increases in interest rates.

Our ability to make payments on our indebtedness, including the PIES, and to refinance existing indebtedness and fund planned capital expenditures will depend on our ability to generate cash in the future. This, to some extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

We cannot provide assurance that our business will generate sufficient cash flow from operating activities or that future borrowings will be available to us under our credit facility in amounts sufficient to enable us to pay our indebtedness, including our obligations under the PIES, or to fund our other liquidity needs. We may need to refinance all or a portion of our indebtedness, on or before maturity. We cannot provide assurance that we would be able to refinance any of our indebtedness on commercially reasonable terms or at all.

Upon the occurrence of an event of default under the instruments governing our indebtedness, the lenders could elect to declare our indebtedness immediately due and payable and terminate all commitments to extend further credit. We cannot be sure that our lenders would waive a default or that we could repay our indebtedness if it were accelerated.

Retail Ventures is a holding company and relies on its subsidiaries to make payments on its indebtedness and meet its obligations.

Retail Ventures is a holding company and all our operations are conducted through our subsidiaries. Therefore, we rely on the cash flow of our subsidiaries to meet our obligations, including obligations under the PIES. The ability of these subsidiaries to distribute to Retail Ventures by way of dividends, distributions, interest or other payments (including intercompany loans) is subject to various restrictions, including restrictions imposed by the facilities governing our and our subsidiaries indebtedness, and future indebtedness may also limit or prohibit such payments. You will not have any direct claim on the cash flows of the operating subsidiaries of Retail Ventures, and such subsidiaries have no obligation, contingent or otherwise, to pay amounts due in respect of the PIES or to make funds available to Retail Ventures. In addition, the ability of our subsidiaries to make such payments may be limited by relevant provisions of the laws of their respective jurisdictions of organization.

Value City s and DSW s secured revolving credit facilities could limit operational flexibility.

$275 Million Secured Revolving Credit Facility The Value City Revolving Loan

Value City has entered into a $275 million secured revolving credit facility with a term expiring the earlier of July 2009 or the date 91 days prior to the maturity date of the Non-Convertible Loan, which is in June 2009. Under this facility, Retail Ventures and certain of its wholly-owned subsidiaries are named as co-borrowers and/or co-guarantors. This facility is subject to a borrowing base restriction and provides for borrowings at variable interest rates based on the London Interbank Offered Rate, or LIBOR, the prime rate and the Federal Funds effective rate, plus a margin. Value City s obligations under our secured revolving credit facility are secured by a lien on substantially all our personal property and certain leasehold properties of Value City. In addition, the secured revolving credit facility contains usual and customary restrictive covenants relating to our management and the operation of our business. These covenants, among other things, restrict Value City s ability to grant liens on its assets, incur additional indebtedness, open or close stores, pay cash dividends and make other distributions to us in excess of $5.0 million in the aggregate, enter into transactions with affiliates and merge or consolidate with another entity. These covenants could restrict Value City s operational flexibility, and any failure to comply with these covenants or Value City s payment

11

Table of Contents

obligations would limit Value City s ability to borrow under the secured revolving credit facility and, in certain circumstances, may allow the lenders thereunder to require repayment. In addition to the borrowing base restrictions, 10% of the facility is deemed an excess reserve and is not available for borrowing.

$150 Million Secured Revolving Credit Facility The DSW Revolving Loan

DSW has entered into a $150 million secured revolving credit facility with a term expiring July 2010. Under this facility, DSW and DSWSW are named as co-borrowers. This facility is subject to borrowing base restrictions and provides for borrowings at variable interest rates based on LIBOR, the prime rate and the Federal Funds effective rate, plus a margin. DSW s and DSWSW s obligations under this secured revolving credit facility are secured by a lien on substantially all of their personal property and a pledge of all of DSW s shares of DSWSW. In addition, the secured revolving credit facility contains usual and customary restrictive covenants relating to the management and the operation of DSW s business. These covenants, among other things, restrict DSW s ability to grant liens on DSW s assets, incur additional indebtedness, open or close stores, pay cash dividends and make other distributions to us in excess of $5.0 million in the aggregate, redeem DSW s stock, transfer its or DSWSW s assets to us, enter into transactions with affiliates and merge or consolidate with another entity. In addition, if at any time DSW utilizes over 90% of DSW s borrowing capacity under the facility, DSW must comply with a fixed charge coverage ratio test set forth in the facility documents. These covenants could restrict DSW s operational flexibility, and any failure to comply with these covenants or DSW s payment obligations would limit DSW s ability to borrow under the secured revolving credit facility and, in certain circumstances, may allow the lenders thereunder to require repayment.

Our failure to retain our existing senior management team and to continue to attract qualified new personnel could materially adversely affect our business.

Our business requires disciplined execution at all levels of our organization to ensure that we continually have sufficient inventories of assorted brand name merchandise at below traditional retail prices. This execution requires an experienced and talented management team. If we were to lose the benefit of the experience, efforts and abilities of any of our key executive and buying personnel, our business could be materially adversely affected. We have entered into employment agreements with certain of these officers. Furthermore, our ability to manage our retail expansion will require us to continue to train, motivate and manage our employees and to attract, motivate and retain additional qualified managerial and merchandising personnel. Competition for these personnel is intense, and we may not be successful in attracting, assimilating and retaining the personnel required to grow and operate profitably.

We may be unable to compete favorably in our highly competitive markets.

The off-price retail, department store and retail footwear markets are highly competitive with few barriers to entry. We compete against a diverse group of retailers, both small and large, including locally owned, regional and national department stores, specialty retailers, discount chains and off-price retailers. Some of our competitors are larger and have substantially greater resources than we do. Our success depends on our ability to remain competitive with respect to style, price, brand availability and customer service. The performance of our competitors, as well as a change in their pricing policies, marketing activities and other business strategies, could have a material adverse effect on our business, financial condition, cash flow, results of operations and our market share.

We are controlled indirectly by Schottenstein Stores Corporation, whose interests may differ from our other shareholders.

As of April 29, 2006, SSC owned approximately 42.8% of the outstanding shares of Retail Ventures and beneficially owned approximately 53.6% (assumes issuance of (i) 8,333,333 Retail Ventures common shares issuable upon the exercise of convertible warrants, (ii) 1,594,377 Retail Ventures common shares issuable upon the exercise of term loan warrants, and (iii) up to 479,792 Retail Ventures common shares issuable pursuant to the anti-dilution provisions of the term loan warrants) of the outstanding shares of Retail Ventures. SSC, a privately held corporation, is controlled by Jay L. Schottenstein, the Chairman of our Board of Directors, and members of his immediate family. Given its ownership interests, SSC will be able to control

Table of Contents

or substantially influence the outcome of all matters submitted to our shareholders for approval, including, the election of directors, mergers or other business combinations, and acquisitions or dispositions of assets. The interests of SSC may differ from or be opposed to the interests of our other shareholders, and its control may have the effect of delaying or preventing a change in control that may be favored by other shareholders.

SSC and/or its affiliates may compete directly against us.

Corporate opportunities may arise in the area of potential competitive business activities that may be attractive to SSC and us in the area of employee recruiting and retention. Any competition could intensify if SSC acquired a business that carried an assortment of shoes or merchandise in these stores similar to those found in our stores, targeted customers similar to ours or adopted a similar business model or strategy for its shoe businesses. Given that Retail Ventures and DSW are not wholly-owned, SSC may be inclined to direct relevant corporate opportunities to its other affiliates rather than us.

SSC is under no obligation to communicate or offer any corporate opportunity to us. In addition, SSC has the right to engage in similar activities as us, do business with our suppliers and customers and employ or otherwise engage any of our officers or employees. SSC and its affiliates engage in a variety of businesses, including, but not limited to, business and inventory liquidations, real estate management and real estate acquisitions.

A decline in general economic conditions, or the outbreak or escalation of war or terrorist acts, could lead to reduced consumer demand for our merchandise.

Consumer spending habits, including spending for the merchandise that we sell, are affected by, among other things, prevailing economic conditions, levels of employment, salaries and wage rates, prevailing interest rates, income tax rates and policies, consumer confidence and consumer perception of economic conditions. In addition, consumer purchasing patterns may be influenced by consumers disposable income. A general slowdown in the U.S. economy or an uncertain economic outlook could adversely affect consumer spending habits.

Consumer confidence is also affected by the domestic and international political situation. The outbreak or escalation of war, or the occurrence of terrorist acts or other hostilities in or affecting the United States, could lead to a decrease in spending by consumers. In the event of an economic slowdown, we could experience lower net sales than expected on a quarterly or annual basis and be forced to delay or slow our retail expansion plans.

We rely on foreign sources for our merchandise, and our business is therefore subject to risks associated with international trade.

We purchase merchandise from domestic and foreign vendors. In addition, many of our domestic vendors import a large portion of their merchandise from abroad. For this reason, we face risks inherent in purchasing from foreign suppliers, such as:

economic and political instability in countries where these suppliers are located;

international hostilities or acts of war or terrorism affecting the United States or foreign countries from which our merchandise is sourced;

increases in shipping costs;

transportation delays and interruptions, including as a result of increased inspections of import shipments by domestic authorities;

work stoppages;

adverse fluctuations in currency exchange rates;

laws of the United States affecting the importation of goods, including duties, tariffs and quotas and other non-tariff barriers;

expropriation or nationalization;

changes in local government administration and governmental policies;

Table of Contents

changes in import duties or quotas;

compliance with trade and foreign tax laws; and

local business practices, including compliance with local laws and with domestic and international labor standards.

We require our vendors to operate in compliance with applicable laws and regulations and our internal requirements. However, we do not control our vendors or their labor and business practices. The violation of labor or other laws by one of our vendors could have a material adverse effect on our business.

DSW and Filene s Basement each rely on a single distribution center. The loss or disruption of either of these centralized distribution centers could have a material adverse effect on our business and operations.

Most of DSW s inventory is shipped directly from suppliers to a single centralized distribution center in Columbus, Ohio, where the inventory is then processed, sorted and shipped to one of 12 pool locations located throughout the country and then on to DSW stores. Inventory for Filene s Basement stores is processed and shipped from a single distribution facility in Auburn, Massachusetts. Our operating results depend on the orderly operation of our receiving and distribution process, which in turn depends on third-party vendors adherence to shipping schedules and our effective management of our distribution facilities. We may not anticipate all the changing demands that our expanding operations in these two segments will impose on our receiving and distribution systems, and events beyond our control, such as disruptions in operations due to fire or other catastrophic events, labor disagreements or shipping problems, may result in delays in the delivery of merchandise to our stores.

While we maintain business interruption and property insurance, in the event a distribution center were to be shut down for any reason or if we were to incur higher costs and longer lead times in connection with a disruption at a distribution center, our insurance may not be sufficient, and insurance proceeds may not be timely paid to us.

We will require strong cash flows from our operations to support capital expansion, operations and debt repayment.

In order to fully implement our strategy for our Value City segment, as well as implement our expansion strategy for both the Filene s Basement and DSW segments, we will require strong cash flows from operations to support our capital expansion requirements, our general operating activities and to fund debt repayment and the availability of financing sources. Our inability to generate sufficient cash flows to support these activities or the lack of availability of financing in adequate amounts and on appropriate terms could adversely affect our financial performance.

If we fail to execute our opportunistic buying and inventory management well, our business could be materially adversely affected.

We purchase some of the inventory for our Value City and Filene s Basement stores opportunistically with our buyers purchasing close to need. To drive traffic to the stores and to increase same store sales, the treasure hunt nature of the off-price buying experience requires continued replenishment of fresh high quality, attractively priced merchandise. While the practice of opportunistic buying enables our buyers to buy at the right time and price, in the quantities we need and into market trends, it places considerable discretion in our buyers. This discretion subjects us to risks that our buyers will miscalculate on the timing, quantity and nature of inventory flowing to the stores. We rely on our distribution infrastructure to support delivering goods to our stores on time. We must effectively and timely distribute inventory to stores, maintain an appropriate mix and level of inventory and effectively manage pricing and markdowns. Failure to acquire and manage our inventory well and to operate our distribution infrastructure effectively could materially adversely affect our performance and our relationship with our customers.

Table of Contents

If we do not attract and retain quality sales, distribution center and other associates in sufficient numbers as well as experienced buying and management personnel, our performance could be materially adversely affected.

Our performance is dependent on attracting and retaining a large and growing number of quality associates. Many of these associates are in entry level or part-time positions with historically high rates of turnover. Our ability to meet our labor needs while controlling our costs is subject to external factors such as unemployment levels, prevailing wage rates, minimum wage legislation and changing demographics. In the event of increasing wage rates, if we do not increase our wages competitively, our customer service could suffer because of a declining quality of our workforce, or our earnings would decrease if we increase our wage rates. Further, our off-price model limits the market for experienced buying and management personnel and requires us to do significant internal training and development. Changes that adversely impact our ability to attract and retain quality associates could materially adversely affect our performance.

If we are unable to operate information systems and implement new technologies effectively, our business could be materially disrupted or our sales or profitability could be reduced.

The efficient operation of our business is dependent on our information systems, including our ability to operate them effectively and successfully to implement new technologies, systems, controls and adequate disaster recovery systems. The failure of our information systems to perform as designed or our failure to implement and operate them effectively could materially disrupt our business or subject us to liability and thereby harm our profitability.

We face security risks related to our electronic processing and transmission of confidential customer information. On March 8, 2005, we announced the theft of credit card and other purchase information relating to DSW customers. This security breach could materially adversely affect our reputation and business and subject us to liability.

We rely on commercially available encryption software and on other technologies to provide security for processing and transmission of confidential customer information, such as credit card numbers. Advances in computer capabilities, new discoveries in the field of cryptography, or other events or developments, including improper acts by third parties, could result in a compromise or breach of the security measures we use to protect customer transaction data. Compromises of these security systems could have a material adverse effect on our reputation and business, and may subject us to significant liabilities and reporting obligations. A party who is able to circumvent our security measures could misappropriate our information, cause interruptions in our operations, damage our reputation and customers willingness to shop in our stores and subject us to possible liability. We may be required to expend significant capital and other resources to protect against these security breaches or to alleviate problems caused by these breaches.

As previously reported, on March 8, 2005, we announced that we had learned of the theft of credit card and other purchase information from a portion of DSW customers. On April 18, 2005, we issued the findings from our investigation into the theft. The theft covered transaction information involving approximately 1.4 million credit cards and data from transactions involving approximately 96,000 checks.

We contacted and continue to cooperate with law enforcement and other authorities with regard to this matter. DSW is involved in several legal proceedings arising out of this incident, including four putative class action lawsuits, which seek unspecified monetary damages, credit monitoring and other relief. Each of the four lawsuits seeks to certify a different class of consumers. One of the lawsuits seeks to certify a nationwide class that would include every consumer who used a credit card, debit card, or check to make purchases at DSW between November 2004 and March 2005 and whose transaction data was taken during the data theft incident. The other three lawsuits seek to certify classes of consumers that are limited geographically. Those cases use different putative class definitions to identify consumers who made purchases at certain stores in Ohio, Michigan, and Illinois.

In connection with this matter, DSW entered into a consent order with the Federal Trade Commission, or FTC, which has jurisdiction over consumer protection matters. The FTC published the final order on March 14, 2006, and copies of the complaint and consent order are available from the FTC s Web site at

Table of Contents

http://www.ftc.gov and also from the FTC s Consumer Response Center, Room 130, 600 Pennsylvania Avenue, N.W., Washington, D.C. 20580. DSW has not admitted any wrongdoing or that the facts alleged in the FTC s proposed unfairness complaint are true. Under the consent order, DSW will pay no fine or damages. DSW has agreed, however, to maintain a comprehensive information security program and to undergo a biannual assessment of such program by an independent third party.

There can be no assurance that there will not be additional proceedings or claims brought against DSW in the future. DSW has contested and will continue to vigorously contest the claims made against it and will continue to explore its defenses and possible claims against others.

DSW estimates that the potential exposures for losses related to this theft range from approximately $6.5 million to approximately $9.5 million. Because of many factors, including the early development of information regarding the theft, the early stage of the lawsuits asserted against DSW and recoverability under insurance policies, there is no amount in the estimated range that represents a better estimate than any other amount in the range. Therefore, in accordance with Financial Accounting Standard No. 5, *Accounting for Contingencies*, DSW has accrued a charge to operations in the first quarter of fiscal 2005 equal to the low end of the range set forth above, or $6.5 million. To our knowledge, no class action lawsuits brought by consumers alleging claims similar to those asserted in the putative class actions against DSW have been litigated against other merchants which have experienced similar data thefts. As the situation develops and more information becomes available to us, the amount of the reserve may increase or decrease accordingly. The amount of any such change may be material. As of April 29, 2006, the balance of the associated accrual for potential exposure was $4.6 million.

Although difficult to quantify, since the announcement of the theft, DSW has not discerned any material negative effect on sales trends it believes is attributable to the theft. However, this may not be indicative of the long-term developments regarding this matter.

We continue to be dependent on DSW to provide us with key services for our business.

From 1998 until the completion of its initial public offering, DSW was operated as a wholly-owned subsidiary of Value City Department Stores, Inc. or Retail Ventures, and provided key services required for the operation of Retail Ventures business. In connection with the DSW initial public offering, we entered into agreements with DSW related to the separation of our business operations from DSW including, among others, a master separation agreement and a shared services agreement. Under the terms of the shared services agreement, which when signed became effective as of January 30, 2005, DSW provides several of our subsidiaries with key services relating to planning and allocation support, distribution services and outbound transportation management, site research, lease negotiation, store design and construction management. The initial term of the shared services agreement will expire at the end of fiscal 2007 and will be extended automatically for additional one-year terms unless terminated by one of the parties. With respect to each shared service, we cannot reasonably anticipate whether the services will be shared for a period longer or shorter than the initial term. We believe it is necessary for DSW to provide these services for us under the shared services agreement to facilitate the efficient operation of our business.

Once the transition periods specified in the shared services agreement have expired and are not renewed, or if DSW does not or is unable to perform its obligations under the shared services agreement, we will be required to provide these services ourselves or to obtain substitute arrangements with third parties. We may be unable to provide these services because of financial or other constraints or be unable to timely implement substitute arrangements on terms that are favorable to us, or at all, which would have a material adverse effect on our business, financial condition, cash flow and results of operations.

Some of our directors and officers also serve as directors or officers of DSW, and may have conflicts of interest because they may own DSW stock or options to purchase DSW stock, or they may receive cash-based or equity-based awards based on the performance of DSW.

Some of our directors and officers also serve as directors or officers of DSW and may own DSW stock or options to purchase DSW stock, or they may be entitled to participate in the DSW incentive plans. Jay L. Schottenstein is our Chairman of the Board of Directors, Chairman of the Board of Directors of DSW and

Table of Contents

Chief Executive Officer of DSW; Heywood Wilansky is our Chief Executive Officer and a director of DSW; Harvey L. Sonnenberg is a director of Retail Ventures and of DSW; Julia A. Davis is Executive Vice President, General Counsel and Assistant Secretary of Retail Ventures, and previously served as Executive Vice President, General Counsel and Secretary of DSW until April 10, 2006; Steven E. Miller is Senior Vice President and Controller of both Retail Ventures and DSW; and James A. McGrady is our Executive Vice President, Chief Financial Officer, Treasurer and Secretary and is a Vice President of DSW. DSW s incentive plans provide cash-based and equity-based compensation to employees based on DSW s performance. These employment arrangements and ownership interests or cash-based or equity-based awards could create, or appear to create, potential conflicts of interest when directors or officers who own DSW stock or stock options or who participate in the DSW incentive plans are faced with decisions that could have different implications for DSW than they do for us. These potential conflicts of interest may not be resolved in our favor.

Risk Factors Relating to Our PIES

You will bear the full risk of a decline in the market price of the DSW Class A common shares between the pricing date for the PIES and the exchange date.

The number of DSW Class A common shares (or, if we elect, the cash value thereof) that you will receive upon exchange is not fixed, but instead will depend on the applicable market value, which is the average of the volume weighted average prices of DSW Class A common shares during the 20 consecutive trading day period ending on the third trading day immediately preceding the exchange date (or, if exchange is accelerated as a result of a cash merger or an event of default, during the 10 consecutive trading day period ending on the trading day immediately preceding the effective date of the cash merger or the date of acceleration, respectively). The aggregate market value of the DSW Class A common shares (or, the cash value thereof) deliverable upon exchange may be less than the principal amount of the PIES. Specifically, if the applicable market value of the DSW Class A common shares is less than $, the aggregate market value of the DSW Class A common shares deliverable upon exchange will be less than $50, and your investment in the PIES will result in a loss. Accordingly, you will bear the full risk of a decline in the market price of the DSW Class A common shares. Any such decline could be substantial.

The opportunity for equity appreciation provided by an investment in the PIES is less than that provided by a direct investment in DSW Class A common shares.

The aggregate market value of the DSW Class A common shares you receive on the exchange date (or, if we elect, the cash value thereof) will only exceed the principal amount of the PIES if the applicable market value of the DSW Class A common shares exceeds the threshold appreciation price of $, which represents an appreciation of % over the initial price of $. In this event, you would receive on the exchange date % (which percentage is equal to the initial price of the DSW Class A common shares divided by the threshold appreciation price) of the value of the DSW Class A common shares that you would have received if you had made a direct investment in DSW Class A common shares on the date of this prospectus. In addition, if the market value of DSW Class A common shares appreciates and the applicable market value is greater than the initial price but less than the threshold appreciation price, the aggregate market value of the DSW Class A common shares deliverable upon exchange would be only equal to the principal amount of the PIES and you will realize no equity appreciation of the DSW Class A common shares.

The market price of the DSW Class A common shares, which may fluctuate significantly, may adversely affect the market price of the PIES.

We expect that generally the market price of DSW Class A common shares will affect the market price of the PIES more than any other single factor. The market price of the DSW Class A common shares will, in turn, be influenced by the operating results and prospects of DSW, by economic, financial and other factors and by general market conditions, including, among others:

developments related to DSW;

quarterly variations in DSW s actual or anticipated operating results;

Table of Contents

changes by securities analysts in estimates regarding DSW;

conditions in the retail industry;

the condition of the stock market;

general economic conditions; and

sales of DSW s common shares by its existing shareholders, including Retail Ventures, or holders of rights to purchase DSW common shares.

It is impossible to predict whether the market price of DSW Class A common shares will rise or fall over the life of the PIES.

In addition, we expect that the market price of the PIES will be influenced by interest and yield rates in the capital markets, the dividend rate, if any, on DSW Class A common shares, the time remaining to the maturity of the PIES, our creditworthiness and the occurrence of certain events affecting DSW that do not require an adjustment to the exchange ratio. Fluctuations in interest rates in particular may give rise to arbitrage opportunities based upon changes in the relative value of the PIES and the DSW Class A common shares. Any such arbitrage could, in turn, affect the market prices of the PIES and the DSW Class A common shares. For more information regarding DSW Class A common shares, see the DSW prospectus attached.

The PIES may adversely affect the market price for DSW Class A common shares.

The market price of the DSW Class A common shares is likely to be influenced by the PIES. For example, the market price of the DSW Class A common shares could become more volatile and could be depressed by (a) investors anticipation of the potential resale in the market of a substantial number of additional DSW Class A common shares received upon exchange of the PIES, (b) possible sales of DSW Class A common shares by investors who view the PIES as a more attractive means of equity participation in DSW than owning DSW Class A common shares and (c) hedging or arbitrage trading activity that may develop involving the PIES and DSW Class A common shares.

The adjustments to the exchange ratio do not cover all the events that could adversely affect the market price of the DSW Class A common shares.

The number of DSW Class A common shares that you are entitled to receive on the exchange date (or, if we elect, the cash value thereof) is subject to adjustment for certain stock splits, stock combinations, stock dividends and certain other actions by DSW that modify its capital structure. See *Description of the PIES Exchange Adjustments.* However, other events, such as offerings by DSW of DSW Class A common shares for cash or in connection with acquisitions, which may adversely affect the market price of DSW Class A common shares, may not result in an adjustment. If any of these other events adversely affects the market price of DSW Class A common shares, it may also adversely affect the market price of the PIES.

You will have no rights with respect to DSW Class A common shares, but you may be negatively affected by some changes made with respect to DSW Class A common shares.

Until you acquire DSW Class A common shares upon exchange of the PIES, you will have no rights with respect to the DSW Class A common shares (including, without limitation, voting rights, rights to respond to tender offers or rights to receive any dividends or other distributions on the DSW Class A common shares, if any (other than through an exchange adjustment)) prior to the exchange date, but your investment may be negatively affected by these events. You will be entitled to rights with respect to the DSW Class A common shares only after we deliver the DSW Class A common shares on the exchange date and only if the applicable record date, if any, for the exercise of a particular right occurs after the date you receive the shares. For example, in the event that an amendment is proposed to the amended articles of incorporation or the amended and restated code of regulations of DSW requiring shareholder approval and the record date for determining the shareholders of record entitled to vote on the amendment occurs prior to delivery of the DSW Class A common shares, you will not be entitled to vote on the amendment, although you will nevertheless be subject to any changes in the powers, preferences or special rights of the DSW Class A common shares. If we elect to deliver only cash upon the exchange of the PIES, you will never be able to exercise any rights

with respect to the DSW Class A common shares.

Table of Contents

Our obligations under the PIES will be effectively junior to our other existing and future secured debt to the extent of the value of the assets securing that debt and effectively subordinate to the debt and other liabilities of our subsidiaries.

The PIES will be effectively junior to our other existing and future secured debt to the extent of the value of the assets securing that debt, and effectively subordinate to the debt and other liabilities, including trade payables and preferred stock, if any, of our subsidiaries. A substantial part of our operations is conducted through our subsidiaries. Certain of our subsidiaries, including Value City and Filene s Basement, but not DSW or DSWSW, are borrowers and/or guarantors under our loan agreements, including the Value City Revolving Loan, the Intercompany Note and/or the Non-Convertible Loan. The obligations under the Value City Revolving Loan and the Non-Convertible Loan are secured by a lien on substantially all the personal property of Retail Ventures and its wholly-owned subsidiaries, except that the assets of DSW and DSWSW do not secure either of these credit facilities, and the common shares of DSW owned by Retail Ventures currently secure the Non-Convertible Loan but not the Value City Revolving Loan. The obligations under these credit facilities are also secured by leasehold interests on certain of the leasehold properties of Value City and Filene s Basement. The DSW Revolving Loan is secured by substantially all the assets of DSW and DSWSW, including a pledge by DSW of the stock of DSWSW. Our Intercompany Note is currently secured by the capital stock of DSW and Filene s Basement held by Retail Ventures. Upon completion of this offering, the lien on the capital stock of DSW that secures the Intercompany Note, as well as the lien on the capital stock of DSW that secures the Non-Convertible Loan, will be released and the approximately $49.7 million remaining balance of the Intercompany Note will be repaid. However, we will pledge sufficient DSW common shares to the collateral agent for the PIES to enable us to satisfy our obligations to deliver DSW Class A common shares upon exchange of the PIES, and sufficient DSW common shares will continue to be subject to liens and/or contractual obligations to enable us to satisfy our obligations to the warrantholders to deliver DSW Class A common shares upon exercise of the warrants. In addition, claims of unsecured creditors of such subsidiaries, including trade creditors, and claims of preferred shareholders, if any, of such subsidiaries will have priority with respect to the assets and earnings of such subsidiaries over the claims of creditors of Retail Ventures, including holders of the PIES. The PIES, therefore, are effectively subordinated to creditors, including trade creditors, and preferred shareholders, if any, of our subsidiaries.

As of April 29, 2006, we had aggregate direct consolidated debt of $182.0 million, comprised of: $103.5 million under the Value City Revolving Loan; $50.0 million under the Non-Convertible Loan; and $28.5 million in capital lease obligations of Value City. The Value City Revolving Loan and the Non-Convertible Loan are secured credit facilities. There were no outstanding direct borrowings under the DSW Revolving Loan, which is also a secured credit facility.

As of the same date, we had $79.1 million and $141.0 million of additional capacity under the Value City Revolving Loan and the DSW Revolving Loan, respectively, and there were $18.6 million and $9.0 million in letters of credit issued and outstanding under these loan facilities, respectively.

Our revolving credit agreement requires that we obtain the prior consent of our senior lenders before making any payments of cash or other property with respect to the PIES, other than coupon payments, if these payments come from any source other than the collateral pledged with the collateral agent for the PIES. Accordingly, we would need to obtain the consent of our senior lenders to exercise our cash settlement option under the PIES or, in the event of a cash merger, to pay the present value of all future coupon payments, or, in the event of an acceleration, to pay the yield maintenance premium. We cannot provide any assurances that our senior lenders will provide any such consent.

The tax consequences of an investment in the PIES are uncertain.

Investors should consider the tax consequences of investing in the PIES. No statutory, judicial or administrative authority directly addresses the characterization of the PIES or instruments similar to the PIES for United States federal income tax purposes. As a result, significant aspects of the United States federal income tax consequences of an investment in the PIES are not certain. We are not requesting any ruling from the Internal Revenue Service with respect to the PIES and cannot assure you that the Internal Revenue Service will agree with the treatment described in this document. We intend to treat, and by purchasing a

Table of Contents

PIES, for all purposes you agree to treat, a PIES as a variable prepaid forward contract rather than as a debt instrument. We intend to report the coupon payments as ordinary income to you, but you should consult your own tax advisor concerning the alternative characterizations. *See United States Federal Income Tax Consequences.*

You are urged to consult your own tax advisor regarding all aspects of the U.S. federal income tax consequences of investing in the PIES, as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

In the event of our bankruptcy, the principal amount of the PIES would not represent a debt claim against us.

Certain events of bankruptcy, insolvency or reorganization relating to us or our significant subsidiaries (including, as to the date hereof, DSW) constitute automatic acceleration events that lead to the PIES becoming immediately due for exchange into DSW Class A common shares. In such event, although the accrued and unpaid coupons and yield maintenance premium would be due and payable in cash, the principal amount of the PIES would not represent a debt claim against us. In addition, while the delivery of DSW Class A common shares and cash in payment of the accrued and unpaid coupons and yield maintenance premium will occur, to the extent permitted by law, as soon as practicable, there may be a delay.

The secondary market for the PIES, if any, may be illiquid.

There is currently no secondary market for the PIES. A secondary market may not develop, or, if it does, it may be illiquid at the time you may want to resell your PIES. Approval of our listing application is subject to the PIES meeting the NYSE listing standards, and therefore we cannot assure you that it will be approved. If the PIES are not listed on the NYSE, the market for the PIES may be less liquid. Even if our listing application is approved, the secondary market may not provide enough liquidity to allow you to trade or sell your PIES easily. The underwriter has advised us that it presently intends to make a market for the PIES, but it is not obligated to do so, and it may discontinue any market-making at any time.

DSW has no obligations with respect to the PIES and does not have to consider your interests for any reason.

DSW has no obligations with respect to the PIES. Accordingly, DSW is not under any obligation to take your interests or our interests into consideration for any reason. DSW will not receive any of the proceeds of this offering of the PIES and is not responsible for, and has not participated in, the determination of the quantities or prices of the PIES or the determination or calculation of the number of shares (or, if we elect, the cash value thereof) you will receive at maturity. DSW is not involved with the administration or trading of the PIES.

You should carefully consider the risk factors relating to DSW.

You should carefully consider the information in the DSW prospectus, including the information contained under the heading Risk Factors. The DSW prospectus does not constitute a part of this prospectus, nor is it incorporated into this prospectus by reference.

Table of Contents

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

The information incorporated by reference herein contains various forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934, as amended, including those identified by the words believes, anticipates, expects and other similar terms. These forward-looking statements reflect management s expectations and are based upon currently available data; however, actual results are subject to future events and uncertainties, which could cause actual results to differ from those projected in these statements. Factors that can cause actual results to differ materially from those expressed in forward-looking statements include: decline in demand for our merchandise; our inability to achieve our business plans and expected cash flow from operations; vendors and their factor relations; flow of merchandise; compliance with our credit agreements; our ability to strengthen our liquidity and increase our credit availability; the availability of desirable store locations on suitable terms; changes in consumer spending patterns, marketing strategies, consumer preferences and overall economic conditions; the impact of competition and pricing; changes in weather patterns; seasonality of operations; changes in fuel and energy costs; changes in existing or potential duties, tariffs or quotas; paper and printing costs; the ability to hire and train associates; development of management information systems; and other factors described in our annual report on Form 10-K for the fiscal year ended January 28, 2006, filed with the Securities and Exchange Commission on April 13, 2006, and our quarterly report on Form 10-Q for the quarter ended April 29, 2006, filed with the Securities and Exchange Commission on June 8, 2006, each incorporated herein by reference.

Any forward-looking statement speaks only as of the date on which it is made, or if no date is stated, as of the date of this prospectus. New factors emerge from time to time, and it is not possible for us to predict which factors will arise. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

You should read this prospectus, the registration statement of which this prospectus is a part, and the documents incorporated by reference herein completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of the forward-looking statements in this prospectus by these cautionary statements. **EXCEPT AS REQUIRED BY LAW, WE UNDERTAKE NO OBLIGATION TO PUBLICLY UPDATE OR REVISE ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR ANY OTHER REASON.**

Table of Contents

RATIOS OF EARNINGS TO FIXED CHARGES

The following table shows our ratio of earnings to fixed charges for the periods indicated:

	Thirteen Weeks Ended	Year Ended				
	4/29/06	**1/28/06**	**1/29/05**	**1/31/04**	**2/1/03**	**2/2/02**
Ratio of (loss) earnings to fixed charges	(1.77)(1)	(0.16)(2)	0.63 (3)	0.91(4)	0.97(5)	0.31(6)

(1) For the thirteen weeks ended April 29, 2006 the earnings to cover fixed charges were deficient by $47,242,000.

(2) For the year ended January 28, 2006 the earnings to cover fixed charges were deficient by $93,260,000.

(3) For the year ended January 29, 2005 the earnings to cover fixed charges were deficient by $31,876,000.

(4) For the year ended January 31, 2004 the earnings to cover fixed charges were deficient by $6,937,000.

(5) For the year ended February 1, 2003 the earnings to cover fixed charges were deficient by $2,682,000.

(6) For the year ended February 2, 2002 the earnings to cover fixed charges were deficient by $46,387,000.

For the purpose of computing this ratio, earnings consist of income (loss) before provision for income taxes, minority interest, equity earnings and fixed charges. For this purpose, fixed charges consist of (i) interest expense and amortization of debt expense and (ii) estimated interest expense included in minimum gross rent.

Table of Contents

USE OF PROCEEDS

We currently expect to use the net proceeds of this offering to repay the approximately $49.7 million remaining balance of the Intercompany Note, and Value City will use such proceeds and other funds to repay $49.5 million of the outstanding principal amount of the $50 million Non-Convertible Loan, together with fees and expenses related thereto plus a prepayment penalty of approximately $4.2 million. The Intercompany Note bears interest at a rate per annum equal to that payable under the Value City Revolving Loan, such interest being payable only in kind. The scheduled maturity date of the Intercompany Note is January 1, 2020. The Non-Convertible Loan bears interest at an annual rate of 10% and matures on June 10, 2009. The balance of the net proceeds will be applied for general corporate purposes, which may include the downstreaming of funds to Value City in the form of a loan or a capital contribution in order to permit repayment of borrowings under the Value City Revolving Loan. The Value City Revolving Loan matures in July 2009 and provides for borrowings at variable interest rates based on LIBOR, the prime rate and the Federal Funds effective rate, plus a margin based upon a borrowing base with restrictions. At April 29, 2006, the rates in effect for borrowings under the Value City Revolving Loan ranged from 6.6% to 6.9%, while the prime rate was at 8.0%.

The allocation of the net proceeds of this offering described above represents our best current estimates. Our management will have broad discretion in the application of the net proceeds and we reserve the right to change the use of these proceeds in response to certain contingencies or other working capital requirements.

Table of Contents

RELATIONSHIP BETWEEN RETAIL VENTURES AND DSW

History

We opened our first Value City department store in Columbus, Ohio in 1917. Until our initial public offering on June 18, 1991, Value City department stores operated as a division of SSC. As of April 29, 2006 SSC owned approximately 42.8% of the outstanding shares of Retail Ventures and beneficially owned approximately 53.6% (assumes issuance of (i) 8,333,333 Retail Ventures common shares issuable upon the exercise of convertible warrants, (ii) 1,594,377 Retail Ventures common shares issuable upon the exercise of term loan warrants, and (iii) up to 479,792 Retail Ventures common shares issuable pursuant to the anti-dilution provisions of the term loan warrants) of the outstanding shares of Retail Ventures. We also have a number of ongoing related party agreements and arrangements with SSC.

On October 8, 2003, the Company reorganized its corporate structure into a holding company form whereby Retail Ventures, an Ohio corporation, became the successor issuer to Value City Department Stores, Inc. As a result of the reorganization, Value City Department Stores, Inc. became a wholly-owned subsidiary of Retail Ventures. In connection with the reorganization, holders of common shares of Value City Department Stores, Inc. became holders of an identical number of common shares of Retail Ventures. The reorganization was effected by a merger which was previously approved by Value City Department Stores Inc. s shareholders. Since October 2003, Retail Ventures common shares have been listed for trading under the ticker symbol RVI on the NYSE.

In December 2004, the Company completed another corporate reorganization whereby Value City Department Stores, Inc. merged with and into Value City, a newly created, wholly-owned subsidiary of Retail Ventures. In connection with this reorganization, Value City transferred all the issued and outstanding shares of DSW and Filene s Basement to Retail Ventures in exchange for a promissory note.

On July 5, 2005, DSW completed an initial public offering of 16,171,875 Class A common shares sold at a price to the public of $19.00 per share and raising net proceeds of $285.8 million, net of the underwriters commission and before expenses of approximately $7.8 million. As of April 29, 2006, Retail Ventures owned Class B common shares of DSW representing approximately 63.1% of DSW s outstanding common shares and approximately 93.2% of the combined voting power of such shares. DSW is a controlled subsidiary of Retail Ventures and DSW s Class A common shares are traded on the NYSE under the symbol DSW. In conjunction with the separation of their businesses following the initial public offering, Retail Ventures and DSW entered into several agreements, including, among others, a master separation agreement, a shared services agreement and a tax separation agreement. Retail Ventures current intent is to continue to hold its DSW Class B common shares, except to the extent necessary to satisfy obligations under warrants it has granted to SSC, Cerberus Partners L.P. and Millennium Partners, L.P., or Millennium, and obligations under the PIES. Currently, Retail Ventures is subject to (a) contractual obligations with the lenders under the Non-Convertible Loan to retain ownership of at least 55% by value of the common shares of DSW for so long as the Non-Convertible Loan remains outstanding and (b) contractual obligations with its warrantholders to retain enough DSW common shares to be able to satisfy its obligations to deliver such shares to its warrantholders if the warrantholders elect to exercise their warrants in full for DSW Class A common shares (without regard to any limitations on exercisability of the warrants). Upon completion of this offering, Retail Ventures will be released from these contractual obligations with its lenders as well as certain liens on the DSW common shares securing the Non-Convertible Loan and the Intercompany Note. However, we will pledge sufficient DSW common shares to the collateral agent for the PIES to enable us to satisfy our obligations to deliver DSW Class A common shares upon exchange of the PIES, and sufficient DSW common shares will continue to be subject to liens and/or contractual obligations to enable us to satisfy our obligations to the warrantholders to deliver DSW Class A common shares upon exercise of the warrants. Retail Ventures will continue to be subject to usual and customary restrictive covenants under the Value City Revolving Loan, including those restricting the payment of cash dividends and the making of other distributions to Retail Ventures in excess of $5.0 million in the aggregate.

Table of Contents

General

Value City. Value City is a full-line, value-price retailer carrying men s, women s and children s apparel, accessories, jewelry, shoes, home fashions, electronics and seasonal items. Located in the Midwest, Mid-Atlantic and Southeastern United States and operating for over 80 years principally under the name Value City, this segment s strategy has been to provide exceptional value by offering a broad selection of brand name merchandise at prices substantially below conventional retail prices. In the past year, Value City has modified its merchandising strategy to increase the percentage of fashionable brand name in-season and private label merchandise and to increase the percentage of all-season, regularly in stock merchandise, while refining the offerings of special merchandise purchases to provide appropriate quantities and quality. This strategy modification is in process, and is expected to impact all merchandise categories by the end of 2006. We expect this will provide Value City customers, known as guests, a significantly improved combination of today s fashions, basic products and deeply discounted special promotions, all at low prices, while still allowing customers the experience of treasure hunting for special, deal-based offerings. Value City believes that this enhanced combination of fashion and value will provide a distinctive shopping opportunity for its guests. In 2005, Value City also made significant changes in its merchandise displays, store operations and marketing strategy. As of April 29, 2006, there were 113 Value City stores in operation.

DSW. DSW is a leading U.S. specialty branded footwear retailer operating 204 shoe stores in 33 states as of April 29, 2006. It offers a wide selection of brand name and designer dress, casual and athletic footwear for women and men. DSW s typical customers are brand-, quality- and style-conscious shoppers who have a passion for footwear and accessories. DSW s core focus is to create a distinctive store experience that satisfies both the rational and emotional shopping needs of its customers by offering them a vast, exciting selection of in-season styles combined with the convenience and value they desire. DSW believes this combination of selection, convenience and value differentiates it from its competitors and appeals to consumers from a broad range of socioeconomic and demographic backgrounds.

Filene s Basement. Filene s Basement stores are located primarily in major metropolitan areas in the Northeast and Midwest. Filene s Basement s mission is to provide the best selection of stylish, high-end designer and famous brand name merchandise at surprisingly affordable prices in men s and women s apparel, jewelry, shoes, accessories and home goods. Filene s Basement s focuses on serving the customer with discriminating fashion taste who appreciates an excellent value. These stores have a large selection of upscale designer and better-branded merchandise, including couture items imported directly from the fashion capitals of Europe. Famous for its unique bridal dress promotions, now hailed as the Running of the Brides, Filene s Basement believes that it is also distinctive in its offering of great fashion, high quality and affordable prices. As of April 29, 2006, there were 26 Filene s Basement stores in operation.

Table of Contents

PRICE RANGE OF DSW CLASS A COMMON SHARES

DSW completed its initial public offering on July 5, 2005. DSW Class A common shares are listed for trading under the ticker symbol DSW on the NYSE. The following table sets forth the high and low sales prices of DSW Class A common shares as reported on the NYSE Composite Tape during the periods indicated. As of April 29, 2006, there were 5 holders of record of DSW Class A common shares and one holder of record of DSW Class B common shares.

	High	Low
Fiscal 2005:		
Second Quarter	$ 27.50	$ 23.11
Third Quarter	27.32	17.50
Fourth Quarter	28.10	20.00
Fiscal 2006:		
First Quarter	32.61	26.32
Second Quarter (through July 13, 2006)	37.39	28.26

Table of Contents

DESCRIPTION OF THE PIES

Our % Mandatorily Exchangeable Notes Due , 2011, which we refer to as PIES, exchangeable into DSW Class A common shares, will be issued under an indenture, to be dated as of , 2006, between Retail Ventures, Inc. and HSBC, as trustee. We have summarized all material provisions of the PIES and the indenture below. This summary is not complete and is subject to, and is qualified in its entirety by reference to, all provisions of the PIES and the indenture. The form of the indenture and the PIES will be filed as an exhibit to the registration statement of which this prospectus forms a part and you should read the PIES and the indenture for provisions that may be important to you. See *Where You Can Find More Information* for more information on how to obtain copies.

In this summary, RVI, we, our or us means solely Retail Ventures, Inc. and not any of its respective subsidiarie

The PIES are obligations of RVI. DSW will have no obligation of any kind with respect to the PIES.

Brief Description of the PIES

The PIES will:

- be limited to $125.0 million aggregate principal amount ($143.75 million aggregate principal amount if the underwriter exercises in full its option to purchase additional PIES);
- be our direct, senior obligations, ranking equally in right of payment with our existing and future senior debt, senior in right of payment to our future subordinated debt, effectively junior to our other existing and future secured debt to the extent of the value of the assets securing that debt, and effectively subordinate in right of payment to the existing and future debt and other liabilities of our subsidiaries;
- be entitled to coupon payments at a rate of % per year, payable quarterly in arrears, on , , , and of each year, commencing on , 2006;
- unless the exchange has been accelerated as described below under *Early Exchange upon Cash Merger* or *Events of Default; Waiver*, entitle each holder thereof to receive on , 2011, for each $50 principal amount thereof, a number of DSW Class A common shares equal to the exchange ratio as described below under *Exchange of the PIES* or, if we so elect, the cash equivalent thereof or a combination of cash and DSW Class A common shares; and
- be initially secured by a pledge of that number of our DSW Class B common shares (which are exchangeable for DSW Class A common shares) equal to the maximum number of DSW Class A common shares deliverable by us upon exchange of the PIES.

Following certain events, the PIES will be exchangeable for other property in lieu of or in addition to DSW Class A common shares as described below under *Exchange Adjustments.* If such an adjustment event has occurred, references herein to DSW Class A common shares shall be deemed to refer to all such exchange property.

Neither we nor any of our subsidiaries will be subject to any financial covenants under the indenture. In addition, neither we nor any of our subsidiaries will be restricted under the indenture from paying dividends, incurring debt or issuing or repurchasing our securities, and neither we nor any of our subsidiaries will be subject to any covenants in the indenture that limit or restrict our business or operations. You are not afforded any financial covenant protection under the indenture in the event of a highly leveraged transaction, a recapitalization transaction or a change in control of RVI. The PIES will not be guaranteed by any of our subsidiaries.

We may not redeem the PIES prior to the maturity date, and you will not have the option to cause us to repurchase the PIES or to exchange the PIES for DSW Class A common shares and/or cash prior to the maturity date, except that exchange of the PIES may be accelerated as described below under *Early Exchange upon Cash Merger* or *Events of Default; Waiver.* No sinking fund is provided for the PIES, and the PIES will not be subject to defeasance.

Table of Contents

The PIES initially will be issued in book-entry form only in denominations of $50 principal amount and whole multiples thereof. Beneficial interests in the PIES will be shown on, and transfers of beneficial interests in the PIES will be effected only through, records maintained by The Depository Trust Company, or DTC, or its nominee, and any such interests may not be exchanged for certificated PIES except in limited circumstances. For information regarding registration of transfer and exchange of global PIES held in DTC, see *Book-Entry System*.

If certificated PIES are issued, you may present them for registration of transfer and exchange, without service charge, at our designated office or agency in New York City, which will initially be the office or agency of the trustee in New York City. Holders may be required to pay for any tax or other governmental charge associated with the transfer or exchange.

Ranking

The PIES will constitute our direct, senior obligations, ranking equally in right of payment with our existing and future senior debt, senior in right of payment to our future subordinated debt, and effectively subordinate to the existing and future debt and other liabilities, including trade payables and preferred stock, if any, of our subsidiaries. The PIES will be effectively junior to our other existing and future secured debt to the extent of the value of the assets securing that debt. A substantial part of our operations is conducted through our subsidiaries. Certain of our subsidiaries, including Value City and Filene s Basement, but not DSW or DSWSW, are borrowers and/or guarantors under our loan agreements, including the Value City Revolving Loan, the Intercompany Note and/or the Non-Convertible Loan. The obligations under the Value City Revolving Loan and the Non-Convertible Loan are secured by a lien on substantially all the personal property of RVI and its wholly-owned subsidiaries, except that the assets of DSW and DSWSW do not secure either of these credit facilities, and the common shares of DSW owned by Retail Ventures currently secure the Non-Convertible Loan but not the Value City Revolving Loan. The obligations under these credit facilities are also secured by leasehold interests on certain of the leasehold properties of Value City and Filene s Basement. The DSW Revolving Loan is secured by substantially all the assets of DSW and DSWSW, including a pledge by DSW of the stock of DSWSW. Our Intercompany Note is currently secured by the capital stock of DSW and Filene s Basement held by RVI. Upon completion of this offering, the lien on the capital stock of DSW that secures the Intercompany Note, as well as the lien on the capital stock of DSW securing the Non-Convertible Loan, will be released and the approximately $49.7 million remaining balance of the Intercompany Note will be repaid. However, we will pledge sufficient DSW common shares to the collateral agent for the PIES to enable us to satisfy our obligations to deliver DSW Class A common shares upon exchange of the PIES, and sufficient DSW common shares will continue to be subject to liens and/or contractual obligations to enable us to satisfy our obligations to the warrantholders to deliver DSW Class A common shares upon exercise of the warrants. Claims of unsecured creditors of such subsidiaries, including trade creditors, and claims of preferred shareholders, if any, of such subsidiaries will have priority with respect to the assets and earnings of such subsidiaries over the claims of creditors of RVI, including holders of the PIES. The PIES, therefore, are effectively subordinated to creditors, including trade creditors, and preferred shareholders, if any, of our subsidiaries.

Our exchange obligations under the PIES will initially be secured by a pledge of that number of DSW Class B common shares (or other exchange property) equal to the maximum number of DSW Class A common shares (or other exchange property) deliverable by us upon exchange of the PIES.

As of April 29, 2006, we had aggregate direct consolidated debt of: $182.0 million, comprised of: $103.5 million under the Value City Revolving Loan; $50.0 million under the Non-Convertible Loan; and $28.5 million in capital lease obligations of Value City. The Value City Revolving Loan and the Non-Convertible Loan are secured credit facilities. There were no outstanding direct borrowings under the DSW Revolving Loan, which is also a secured credit facility.

As of the same date, we had $79.1 million and $141.0 million of additional capacity under the Value City Revolving Loan and the DSW Revolving Loan, respectively, and there were $18.6 million and $9.0 million in letters of credit issued and outstanding under these loan facilities, respectively.

Table of Contents

Our revolving credit agreement requires that we obtain the prior consent of our senior lenders before making any payments of cash or other property with respect to the PIES, other than coupon payments, if these payments come from any source other than the collateral pledged with the collateral agent for the PIES.

Coupon Payments

We will make coupon payments in respect of the PIES at the fixed annual rate of % of the principal amount of the PIES. Coupon payments will accrue from , 2006 or from the most recent date to which coupons have been paid or duly provided for, and will be payable quarterly in arrears on , , , and of each year, commencing on , 2006.

Coupon payments payable for any full coupon period will be computed on the basis of a 360-day year of twelve 30-day months and for any period other than a full coupon period will be computed on the basis of the actual number of days elapsed during the period and a 365-day year.

Coupon payments, other than the coupon payment that coincides with the maturity date, in respect of each PIES will be payable to the person in whose name the PIES is registered on the books and records of the trustee at 5:00 p.m., New York City time, on the relevant record dates, which, will be 15 calendar days prior to the relevant payment date, and we shall have the right to make payments by check mailed to the address of the holder as of the relevant record date or by wire transfer to an account appropriately designated by the holder entitled to payment. The coupon payable on the maturity date will be payable to holders presenting the PIES for mandatory exchange at maturity.

If any date on which coupon payments are to be made is not a business day, then payment of the coupon payable on that date will be made on the next succeeding day that is a business day, and no coupon will be paid in respect of the delay. A business day means any day other than a Saturday, Sunday or any other day on which banking institutions and trust companies in New York City are permitted or required by any applicable law to close.

Exchange of the PIES

Unless the exchange has been accelerated as described below under *Early Exchange upon Cash Merger* or *Events of Default; Waiver,* we will deliver to holders of PIES on , 2011, which we refer to as the maturity date, with respect to each $50 in principal amount of PIES, a number of DSW Class A common shares equal to the exchange ratio. We refer to the date of exchange of the PIES, whether on the maturity date or an earlier date pursuant to a cash merger (as defined under *Early Exchange upon Cash Merger*) or acceleration following an event of default, as the exchange date. With respect to an exchange on the maturity date, however, we may elect, upon 25 business days prior notice to the trustee and to the holders, to settle all or part of our obligation in cash in lieu of delivering the DSW Class A common shares. We refer to this election as the full or partial cash settlement alternative.

If we elect the full cash settlement alternative, we will pay to the holders, with respect to each $50 in principal amount of PIES, an amount of cash equal to the applicable market value (as defined below) of DSW Class A common shares multiplied by the exchange ratio. If we elect the partial cash settlement alternative, we will deliver to the holders, with respect to each $50 in principal amount of PIES, a combination of cash and DSW Class A common shares in the proportion or amount specified in the notice.

In all cases, the exchange ratio will be calculated, subject to adjustment as described below under *Exchange Adjustments*, with respect to each $50 in principal amount of PIES, as set forth below:

If the applicable market value of DSW Class A common shares is equal to or greater than the threshold appreciation price of $, which is % above the initial price of $, the exchange ratio will be shares.

Table of Contents

If the applicable market value of DSW Class A common shares is less than the threshold appreciation price but greater than the initial price, the exchange ratio will be equal to $50 divided by the applicable market value, which is between and shares.

If the applicable market value of DSW Class A common shares is less than or equal to the initial price, the exchange ratio will be shares.

Accordingly, if the market price for DSW Class A common shares increases between the date of this prospectus and any exchange date such that the applicable market value is greater than the threshold appreciation price, the aggregate market value of the DSW Class A common shares delivered upon exchange of each PIES will be greater than the $50 principal amount of the PIES. In addition, if the market price for DSW Class A common shares increases between the date of this prospectus and any exchange date such that the applicable market value is equal to or less than the threshold appreciation price and equal to or greater than the initial price, the aggregate market value of the DSW Class A common shares delivered upon exchange of each PIES will be equal to the $50 principal amount of the PIES. Finally, if between the date of this prospectus and any exchange date the market price for DSW Class A common shares decreases such that the applicable market value of the DSW Class A common shares is less than the initial price, the aggregate market value of the DSW Class A common shares delivered upon exchange of each PIES will be less than the $50 principal amount of the PIES. The preceding statements assume that there has been no partial early exchange of the PIES upon a cash merger (as defined below under *Early Exchange upon Cash Merger*).

Applicable market value means the average of the volume weighted average prices per DSW Class A common share during the 20 consecutive trading day period ending on the third trading day immediately preceding the exchange date (which shall be the maturity date unless the exchange is accelerated pursuant to a cash merger or an event of default), subject to adjustment as described below under *Exchange Adjustments.*

A *trading day* means a day during which (i) trading in DSW Class A common shares generally occurs on the principal United States national or regional securities exchange or association or over-the-counter market on which DSW Class A common shares are listed or admitted to trading and (ii) there is no market disruption event.

A *market disruption event* means (i) a failure by the principal United States national or regional securities exchange or association or over-the-counter market on which DSW Class A common shares are listed or admitted to trading to open for trading during its regular trading session or (ii) the occurrence or existence prior to 1:00 p.m. on any trading day for DSW Class A common shares for an aggregate one half hour period of any suspension or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the securities exchange or association or over-the-counter market or otherwise) in DSW Class A common shares or in any options, contracts or future contracts relating to DSW Class A common shares.

Volume weighted average price of DSW Class A common shares on any date of determination means the volume weighted average price per DSW Class A common share on the NYSE on such date as displayed on Bloomberg key strokes DSW Equity VAP or any successor or replacement page. If DSW Class A common shares are not listed on the NYSE, the volume weighted average price of DSW Class A common shares shall be determined by reference to the Bloomberg Financial Markets page that reports such information with respect to DSW Class A common shares for the national or regional securities exchange or association, or the over-the-counter market that is the primary market for the trading of DSW Class A common shares. If such information is not available on any Bloomberg Financial Markets page, the volume weighted average price shall be the closing price of DSW Class A common shares on the date of determination.

The *closing price* of DSW Class A common shares on any date of determination means:

the closing sale price of DSW Class A common shares on the NYSE on that date (or, if no closing sale price is reported, the last reported sale price);

Table of Contents

if DSW Class A common shares are not listed for trading on the NYSE, the closing sale price (or, if no closing sale price is reported, the last reported sale price) as reported in the composite transactions for the principal United States national or regional securities exchange or association on which DSW Class A common shares are so listed;

if DSW Class A common shares are not so listed on a United States national or regional securities exchange or association, the last sale price of DSW Class A common shares as reported by the Nasdaq Stock Market;

if the DSW Class A common shares are not so reported, the last quoted bid price for DSW Class A common shares in the over-the-counter market as reported by Pink Sheets LLC or similar organization; or

if the last quoted bid price is not so available, as determined by a nationally recognized investment banking firm retained by us for this purpose.

The closing sale price will be determined without reference to extended or after hours trading.

No fractional DSW Class A common shares (or any fractional units of other exchange property) will be delivered upon exchange of the PIES. In lieu of any fractional shares (or units of other exchange property), such holder shall receive an amount in cash equal to the fractional share (or unit of other exchange property) multiplied by the applicable market value (which, in the case of units of other exchange property, shall be the applicable market value as described under *Exchange Adjustments Other Exchange Adjustment Provisions* below).

Hypothetical Exchange Amounts

For illustrative purposes only, the following table shows the number of DSW Class A common shares that a holder would receive upon exchange for $50 principal amount of the PIES at various applicable market values of DSW Class A common shares. The table assumes that there will be no exchange adjustments as described below under *Exchange Adjustments* and that we will not elect to deliver cash in lieu of any DSW Class A common shares. The actual applicable market value of DSW Class A common shares may differ from those set forth in the table below. Given an initial price of $ and a threshold appreciation price of $, a holder of PIES would receive on or shortly after the exchange date the number of DSW Class A common shares per $50 principal amount of PIES set forth below:

Applicable Market Value	Number of DSW Class A Common Shares	Applicable Market Value Multiplied by the Number of DSW Class A Common Shares
$		$
$		$
$		$
$		$
$		$
$		$
$		$

Early Exchange upon Cash Merger

Prior to the maturity date, if DSW is involved in a merger, reclassification or sale of all or substantially all of its assets, which we refer to collectively as a merger, in which 30% or more of the consideration for the DSW Class A

common shares consists of cash or cash equivalents, which we refer to as a cash merger, the exchange of all outstanding PIES will be accelerated to the early exchange date with respect to such cash consideration: fully if 100% of the consideration is cash or cash equivalents and partially if less than 100% of the consideration is cash or cash equivalents. We refer to this as early exchange.

The percentage of merger consideration consisting of cash or cash equivalents shall be determined by reference to the actual amount of cash or cash equivalents received by us, as a DSW shareholder, per DSW

Table of Contents

Class A common share in such cash merger; *provided* that if DSW shareholders are entitled to elect the consideration received, such percentage shall be determined by reference to the weighted average of the amount of cash or cash equivalents received by holders of DSW Class A common shares that affirmatively make an election.

On the early exchange date, we will deliver to the trustee for the benefit of each holder of the PIES the amount of cash or cash equivalents that such holder would have been entitled to receive in the cash merger for the DSW Class A common shares such holder would have held if such holder had exchanged the PIES immediately before the cash merger. This amount will equal the number of DSW Class A common shares such holder will be assumed to have received multiplied by the amount of cash received per DSW Class A common share in the cash merger. The number of DSW Class A common shares such holder will be assumed to receive in such case will equal the exchange ratio in effect at such time; *provided, however*, that for purposes of calculating this exchange ratio, the applicable market value of DSW Class A common shares shall mean the average of the volume weighted average prices per DSW Class A common share during the 10 consecutive trading day period ending on the trading day immediately preceding the effective date of the cash merger; we refer to this applicable market value as the merger market value.

If DSW is involved in a merger in which 100% of the consideration for DSW Class A common shares is cash or cash equivalents, the exchange of all outstanding PIES will be fully accelerated. In addition to the amount of cash or cash equivalents described above, you will receive in cash:

accrued and unpaid coupon to, but not including, the early exchange date; and

the present value of all future coupon payments that would have been payable for the period from, and including, the early exchange date to, but excluding, the maturity date.

Such present value shall be calculated based on a rate equal to (1) the USD-LIBOR-BBA interest rate (for any period of twelve months or less) or the offer side U.S. dollar swap rate (for any period of greater than twelve months) in effect on the exchange date, in each case, with a designated maturity that corresponds most closely to, but is longer than, the period from, and including, such exchange date to, but excluding, the maturity date, plus (2) 1.00%. Upon payment of such amounts following such a merger, we will have no further obligation under the PIES and the PIES will cease to be outstanding.

Our revolving credit agreement requires that we obtain the prior consent of our senior lenders before making any payment of cash with respect to the yield maintenance premium.

If DSW is involved in a cash merger in which less than 100% of the consideration for DSW Class A common shares is cash or cash equivalents, the exchange of all outstanding PIES will be partially accelerated. Upon a partial acceleration of the exchange:

you will receive the amount of cash or cash equivalents described above;

the PIES will remain outstanding;

there will be no decrease in the amount of coupon payable on the PIES; and

the PIES will be subject to exchange on the maturity date with respect to the portion of merger consideration that is not early exchanged pursuant to the foregoing provisions.

In connection with a partial acceleration, at the time of the delivery of the amount of cash or cash equivalents described above, we will adjust the initial price and the threshold appreciation price by multiplying each by a fraction, the numerator of which is the merger market value minus the amount of the cash or cash equivalents received per DSW Class A common share in such cash merger and the denominator of which is the merger market value. We will also adjust the calculation of the exchange ratio for purposes of the second prong of the determination of the exchange ratio by multiplying the $50 set forth therein by the fraction set forth in the preceding sentence. Such adjustments will be in addition to any other adjustments to the exchange ratio (and to the extent required, applicable market value), required as set forth under *Exchange Adjustments.*

Table of Contents

We will provide each holder with a notice of the completion of a cash merger promptly following the receipt by holders of DSW Class A common shares of the consideration from such cash merger. The notice will specify:

whether the exchange is fully or partially accelerated, and, if partially accelerated, the percentage of merger consideration consisting of cash or cash equivalents;

the early exchange date, which shall be a date no more than 15 calendar days after the date of the notice; and

the formula for determining the applicable exchange ratio and the amount of cash or cash equivalents receivable by the holder upon exchange.

So long as the PIES are evidenced by one or more global PIES deposited with DTC, procedures for early exchange upon a cash merger will also be governed by standing arrangements between DTC and the trustee.

Exchange Adjustments

Dilution Events. The initial price, the threshold appreciation price and the exchange ratio will be subject to adjustment, without duplication, upon the occurrence of certain events, including the following:

(a) any dividend or distribution consisting of DSW Class A common shares on DSW Class A common shares;

(b) any subdivision or combination of DSW Class A common shares; and

(c) any issuance to all or substantially all holders of DSW Class A common shares of rights, warrants, purchase contracts or options (other than pursuant to any dividend reinvestment or share purchase plans) entitling them, at any time on or prior to the exchange date, to subscribe for or purchase DSW Class A common shares at less than the current market price (as defined below) thereof on the date of issuance of such rights, warrants, purchase contracts or options.

The *current market price* per DSW Class A common share on any day means the average of the daily closing prices for the ten consecutive trading days up to, but excluding, the earlier of the day of determination and the day before the ex date with respect to the issuance requiring the computation. For purposes of this paragraph, the term ex date, when used with respect to any issuance, will mean the first date on which the DSW Class A common shares trade in regular way on the applicable exchange or in the applicable market from which the closing price was obtained without the right to receive the issuance.

Adjustments to the exchange ratio will be calculated to the nearest 1/10,000th of a share. Except as provided in the next sentence, no adjustment in the exchange ratio will be required unless the adjustment would require an increase or decrease of at least 1.0% in the exchange ratio. Any lesser adjustment will be carried forward and will be made at the time of and together with any subsequent adjustment, which, together with any adjustment or adjustments so carried forward, shall amount to an increase or decrease of at least 1.0% of the exchange ratio; *provided, however*, that regardless of whether such aggregate adjustments amount to 1.0% or more, we will make all such adjustments immediately prior to an exchange date and annually on the anniversary of the original issuance date of the PIES.

Each adjustment to the initial price, threshold appreciation price and the exchange ratio will also result in an adjustment to the applicable market value to the extent an adjustment occurs during a 20 consecutive trading day period in which the applicable market value is being calculated.

Table of Contents

Adjustment Events. The type of property deliverable upon exchange of the PIES, which we refer to as the exchange property, will be adjusted, without duplication, upon the occurrence of certain events, which we refer to as adjustment events, including the following:

(a) any distribution to all or substantially all holders of DSW Class A common shares of evidences of DSW s indebtedness, shares of capital stock, securities, cash or property (excluding any dividend or distribution covered by clause (a) or (c) above under *Dilution Events*, and clause (b) below);

(b) any distribution consisting exclusively of cash to all or substantially all holders of DSW Class A common shares; and

(c) any purchase of less than all DSW Class A common shares pursuant to a tender offer or exchange offer made by DSW or any of its subsidiaries, to the extent that the cash and value of any other consideration included in the payment per DSW Class A common share exceeds the closing price per DSW Class A common share on the trading day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender offer or exchange offer.

In the case of an adjustment event described in clause (a) above, the exchange property would include, in addition to the DSW Class A common shares or other exchange property, the amount of indebtedness, shares of capital stock, securities, cash or other property received by a holder of a DSW Class A common share pursuant to such adjustment event.

In the case of an adjustment event described in clause (b) above, the exchange property would include, in addition to the DSW Class A common shares or other exchange property, an amount in cash equal to the cash distribution.

In the case of an adjustment event described in clause (c) above, the exchange property would include:

a fraction of a DSW Class A common share (based on the quotient of the number of DSW Class A common shares outstanding on the date such adjustment event occurs that are not purchased or exchanged in such adjustment event divided by the number of DSW Class A common shares outstanding on the date of such adjustment event immediately prior to the acceptance of DSW Class A common shares tendered in such tender offer or exchange offer), plus

the amount of cash or other consideration paid in such tender offer or exchange offer in an amount determined as if the offeror had purchased or exchanged the maximum number of DSW Class A common shares then deliverable under the PIES in the proportion in which all DSW Class A common shares were purchased or exchanged from the holders thereof, whether or not we actually tender or exchange such amount of DSW Class A common shares, divided by the maximum number of DSW Class A common shares then deliverable under the PIES.

In the event a tender offer or exchange offer allows the holder to elect to receive cash or other property, the exchange property shall be deemed to include the kind and amount of cash and other property equal to the weighted average of the amount of cash and other property received by holders of DSW Class A common shares that affirmatively make an election.

In each of the foregoing three cases, the actual amount of the exchange property deliverable upon exchange of each PIES in the principal amount of $50 will be based on the applicable exchange ratio.

In addition, if at any time DSW adopts a rights agreement or shareholder rights plan for the purpose of deterring coercive takeover activities, instead of requiring an adjustment to the exchange ratio, the exchange property shall include for each DSW Class A common share, the rights issued per share pursuant to such plan to holders of DSW Class A common shares, which we refer to as anti-takeover rights, regardless of whether such anti-takeover rights are exercisable or have separated from the DSW Class A common shares prior to the exchange date.

Table of Contents

Reorganization Events. If DSW:

- reclassifies its DSW Class A common shares; or
- consolidates or merges with or into any person, or sells, leases or conveys or otherwise disposes of all or substantially all of its assets, and the holders of DSW Class A common shares become entitled to receive stock, other securities, or other property or assets (including cash or any combination thereof) with respect to or in exchange for DSW Class A common shares,

each of which we refer to as a reorganization event, each outstanding PIES will become, without the consent of the holders of the PIES, exchangeable into, instead of DSW Class A common shares, the kind of stock, other securities, or other property or assets (including cash or any combination thereof) receivable upon such reorganization event (except as otherwise specifically provided, without any coupon thereon and without any right to dividends or distributions thereon that have a record date that is prior to the exchange date) by the holders of DSW Class A common shares immediately prior to the consummation of such reorganization event; *provided,* that if a cash merger-related early exchange occurs, as described above under *Early Exchange upon Cash Merger*, the cash or cash equivalents received per DSW Class A common share in the cash merger will not be considered exchange property; *provided, further*, that the kind and amount of consideration receivable by a holder of DSW Class A common shares in the case of reorganization events that cause DSW Class A common shares to be exchanged for more than a single type of consideration (determined based in part upon any form of shareholder election) will be deemed to be the weighted average of the kinds and amounts of consideration received by the holders of DSW Class A common shares that affirmatively made such an election. The exchange property would be the hypothetical amount of such stock, other securities, or other property and assets (including cash or any combination thereof) that would have been received upon consummation of the reorganization event in exchange for a number of DSW Class A common shares equal to the exchange ratio, subject to the proviso of the preceding sentence. Upon any such reorganization event, an adjustment will be made to the exchange ratio; *provided* that any anti-takeover rights issued by DSW shall be deemed to have no value for the purpose of determining the applicable adjustments.

Other Exchange Adjustment Provisions. Following any adjustment event or reorganization event, the actual amount of exchange property delivered upon exchange of the PIES will be calculated based on the aggregate applicable market value of the exchange property at the exchange date. The applicable market value of the exchange property other than cash will be determined with respect to:

- any publicly-traded securities, based on the volume weighted average price of such securities; and
- any other property, based on the value of such property, as determined by a nationally recognized investment banking firm retained by us for this purpose;

provided that any anti-takeover rights issued by DSW shall be deemed to have no value for the purpose of calculating the applicable market value of the exchange property. Any adjustments made prior to the date of an adjustment event or reorganization event to the applicable market value of DSW Class A common shares as set forth above under *Dilution Events*, shall also be made to the applicable market value of the exchange property following any adjustment event or reorganization event.

If the PIES become exchangeable in whole or in part into any property other than DSW Class A common shares (or if we elect, the cash value thereof), such property will be subject to adjustment in the same manner and upon the occurrence of the same types of events as described above with respect to the DSW Class A common shares.

We will be required, within ten business days following an adjustment to the exchange ratio or the occurrence of a dilution event, an adjustment event or reorganization event, to provide written notice to the trustee of such occurrence and a statement in reasonable detail setting forth the method by which the adjustment to the exchange ratio or the change in exchange property or the adjustment, if any, to the maximum number of DSW Class A common shares or the maximum amount of exchange property deliverable by us upon exchange of the PIES was determined and setting forth the revised exchange ratio or any changes to the composition of the exchange property or the revised maximum number of DSW Class A

35

Table of Contents

common shares or the revised maximum amount of exchange property deliverable by us upon exchange of the PIES, as the case may be.

Collateral Requirement

Our exchange obligations with respect to the PIES will be secured by a pledge of that number of our DSW Class B common shares equal to the maximum number of DSW Class A common shares or other exchange property deliverable by us upon exchange of the PIES. Initially, we will pledge the maximum number of DSW Class B common shares that is equal to the maximum number of DSW Class A common shares deliverable by us upon exchange of all the PIES initially outstanding. We will pledge the DSW Class B common shares pursuant to a collateral agreement between us and HSBC, as collateral agent, trustee and securities intermediary. Pursuant to the terms of an exchange agreement between us and DSW, we will irrevocably instruct DSW to, upon notice by us, the trustee or the collateral agent that an exchange date will occur, (a) issue, not later than one business day immediately preceding the exchange date, the requisite number of DSW Class A common shares in exchange for the DSW Class B common shares and (b) deposit them in the collateral account.

At our option, we may at any time substitute DSW Class A common shares for all or any number of DSW Class B common shares in the collateral account, so long as a number of DSW Class A common shares and DSW Class B common shares or combination thereof equal to the maximum number of DSW Class A common shares deliverable by us upon exchange of all the PIES, plus any other exchange property, remains in the collateral account at all times.

It will be an event of default under the collateral agreement, which we refer to as a collateral event of default, if at any time:

- the collateral agent does not have a perfected security interest in the collateral we have pledged;
- the pledged collateral fails to consist of (1) at least the number of DSW Class B common shares or DSW Class A common shares or combination thereof equal to the maximum number of DSW Class A common shares deliverable by us upon exchange of the PIES or (2) if an adjustment event or reorganization event has occurred, at least the maximum amount of exchange property deliverable by us upon exchange of the PIES;
- the instruction to DSW to exchange the requisite number of DSW Class B common shares for DSW Class A common shares ceases to be in full force and effect; or
- in connection with a sale, lease or conveyance of all or substantially all of our assets, we exercise our option to irrevocably deposit cash or U.S. treasury securities in an amount that will be sufficient to pay all remaining coupon payments on the PIES (as described below under *Covenants Merger, Consolidation and Sale*) and the coupon collateral irrevocably deposited becomes insufficient to pay the remaining coupon payments.

The occurrence of a collateral event of default shall constitute an event of default under the indenture.

Covenants

Merger, Consolidation and Sale. We cannot consolidate with, or sell, lease or convey all or substantially all of our assets to, or merge with or into, any other entity unless:

- we are the surviving company in any merger or consolidation; or the successor entity (if other than us) is a corporation or limited liability company organized and existing under the laws of the United States of America, any state of the United States of America or the District of Columbia that expressly assumes all of our obligations under the indenture, the collateral agreement and the PIES;
- immediately after giving effect to the merger, consolidation, sale, lease or conveyance, no default or event of default has occurred or is continuing; and
- certain other conditions are met.

This covenant would not apply to the direct or indirect conveyance, transfer or lease of all or substantially all of the stock, assets or liabilities of any of our wholly-owned subsidiaries to us or to our other

36

Table of Contents

wholly-owned subsidiaries. This covenant also would not apply to any recapitalization transaction, a change of control of RVI or a highly leveraged transaction unless such transaction or change of control were structured to include a merger or consolidation or a transfer or lease of all or substantially all of our assets.

In the event of any transaction described in and complying with the conditions listed in the second preceding paragraph in which we are not the surviving corporation, the successor person formed or remaining shall succeed, and be substituted for, and may exercise every right and power of, RVI, and RVI shall be discharged from its obligations, under the PIES, the collateral agreement and the indenture, except in the case of a lease of all or substantially all of our assets.

Notwithstanding the foregoing, in connection with a sale, lease or conveyance of all or substantially all of our assets to another entity, under the indenture we may at our option elect not to comply with the foregoing covenant as long as:

- we continue to validly exist following such sale, lease or conveyance and such sold, leased or conveyed assets do not include any collateral;
- we provide to the collateral agent for irrevocable deposit in the collateral account cash or U.S. treasury securities in an amount that will be sufficient, in the opinion of a nationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay all remaining coupon payments on the PIES through and including the maturity date;
- immediately after giving effect to such sale, lease or conveyance, no default or event of default has occurred or is continuing; and
- certain other conditions are met.

In such event, RVI shall not be discharged from its obligations, and the other party to such transaction shall not succeed to or be substituted for RVI under the PIES, the collateral agreement and the indenture.

The covenant described above includes a phrase relating to the sale, lease or conveyance of our all or substantially all of our assets. There is no precise, established definition of the phrase all or substantially all of a company s assets under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether or not the covenant described above may apply.

Existence. Except as otherwise permitted under *Merger, Consolidation and Sale* described above, we will do or cause to be done all things necessary to maintain in full force and effect our legal existence and rights (charter and statutory). We are not, however, required to preserve any right if we determine that it is no longer desirable in the conduct of our business.

Events of Default; Waiver

The indenture provides that the following events are events of default with respect to the PIES:

- default in the payment of any coupon payable on the PIES when due that continues for 30 calendar days;
- failure to deliver the required number of DSW Class A common shares (or other exchange property), or the cash value thereof if we have elected the full or partial cash settlement alternative, upon exchange of the PIES or failure to deliver the required amount of cash on the early exchange date if a cash merger occurs;
- default in the performance or breach of any of our other covenants or agreements that are contained in the indenture that continues for 60 calendar days after written notice has been provided in accordance with the procedures in the indenture;
- occurrence of a collateral event of default;

failure by us to pay any final judgment of $15.0 million (or its foreign currency equivalent) or more, which final judgment remains unpaid, undischarged and unstayed for a period of more than 60 calendar days after the entry of such judgment; or

certain events of bankruptcy, insolvency or reorganization relating to us or any of our significant subsidiaries (which term shall have the meaning specified in Rule 1-02(w) of Regulation S-X and, as of the date of this prospectus, includes DSW).

In the case of an event of default arising from certain events of bankruptcy, insolvency or reorganization relating to us or any of our significant subsidiaries, the exchange of all outstanding PIES will automatically be accelerated without further action or notice on the part of the holders of the PIES or the trustee. If any other event of default under the indenture with respect to the outstanding PIES occurs and is continuing, then the trustee or the holders of not less than 25% of the aggregate principal amount of outstanding PIES may accelerate the exchange of the PIES immediately by written notice thereof to us, and to the trustee if given by the holders.

Upon acceleration, the PIES shall become immediately due for exchange and shall be exchanged as set forth above under *Exchange of the PIES,* except that for purposes of calculating the exchange ratio, the applicable market value of DSW Class A common shares shall mean the average of the volume weighted average prices per DSW Class A common share during the 10 consecutive trading day period ending on the trading day immediately preceding the date of acceleration. In addition, the following amounts shall become immediately due and payable: (1) any accrued and unpaid coupon to, but excluding, the date of acceleration, plus (2) a yield maintenance premium equal to the present value of all future coupon payments that would have been payable for the period from, and including, such exchange date to, but excluding, the maturity date, calculated as set forth in *Early Exchange upon Cash Merger.* Our revolving credit agreement requires that we obtain the prior consent of our senior lenders before making any payment of cash with respect to the yield maintenance premium.

In order to effect the exchange, the collateral agent will, to the extent permitted by law, as soon as practicable distribute the number of DSW Class A common shares (or other exchange property) pledged by us required to be delivered by us upon exchange of the PIES to the trustee for pro rata distribution to the holders of the PIES. Any excess collateral shall, to the extent permitted by law, but only to the extent necessary to satisfy our obligations referred to in clauses (1) and (2) of the preceding paragraph, be liquidated and delivered as cash to the trustee for pro rata distribution to the holders of the PIES, or, at our option, in lieu of such liquidation, be delivered in kind to the holders with the value thereof to be deemed equal to the applicable market value thereof as determined in accordance with the preceding paragraph.

The trustee is required to give notice to the holders of the PIES within 90 calendar days of a default under the indenture of which it has actual knowledge unless such default shall have been cured or waived. However, the trustee may withhold notice to the holders of the PIES of any default (except a failure to deliver the required number of DSW Class A common shares (or other exchange property), or the cash value thereof if we have elected the full or partial cash settlement option, upon exchange of the PIES or a default in the payment of coupon), if the trustee, in good faith, determines that the withholding of such notice is in the interests of the holders.

The indenture provides that no holder of PIES may institute any proceedings, judicial or otherwise, with respect to the indenture or for any remedy under the indenture, except in the case of failure of the trustee, for 60 calendar days, to act after it has received a written request to institute proceedings in respect of an event of default from the holders of not less than 25% of the aggregate principal amount of outstanding PIES, as well as an offer of indemnity reasonably satisfactory to it. This provision will not prevent any holder of PIES from instituting suit for the enforcement of payment of coupons then due and payable with respect to the PIES on the applicable coupon payment dates or the delivery of DSW Class A common shares (or other exchange property), or the cash value thereof if we have elected the full or partial cash settlement alternative, deliverable upon exchange of the PIES, or the delivery of the required amount of cash on the early exchange date if a cash merger occurs.

Subject to provisions in the indenture relating to its duties in case of default, the trustee is not under any obligation to exercise any of its rights or powers under the indenture (other than the delivery of shares or other property deliverable under the PIES or the payment of any amounts due under the PIES furnished to it pursuant to the indenture) at the request or direction of any holders of PIES unless the trustee is offered reasonable security or indemnity by the holders of the PIES making the request. Assuming this

Table of Contents

indemnification provision is met, the holders of not less than a majority of the aggregate principal amount of outstanding PIES will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee, or of exercising any trust or power conferred upon the trustee. However, the trustee may refuse to follow any direction that is in conflict with any law or the indenture, that may involve the trustee in personal liability or that may be unduly prejudicial to the holders of PIES not joining in the action.

Within 120 calendar days after the close of each fiscal year, we must deliver to the trustee a certificate, signed by one of our several specified officers, stating that to the best of the knowledge of the signer thereof, we are in compliance with all the conditions and covenants under the indenture and, in the event of any noncompliance, specifying the nature and status of the noncompliance.

The holders of a majority in aggregate principal amount of the PIES outstanding may, on behalf of the holders of all the PIES, waive any past default or event of default under the indenture and its consequences, except:

our failure to pay a coupon on any PIES when due;

our failure to deliver the required number of DSW Class A common shares (or other exchange property), or the cash value thereof if we have elected the full or partial cash settlement alternative, upon exchange of the PIES, or our failure to deliver the required amount of cash on the early exchange date if a cash merger occurs; or

our failure to comply with any of the provisions of the indenture that would require the consent of the holder of each outstanding PIES affected.

Modification

The indenture and the collateral agreement contain provisions permitting us and, in the case of the indenture, the trustee, and in the case of the collateral agreement, the collateral agent, to modify the indenture or the collateral agreement without the consent of the holders of the PIES for any of the following purposes:

to evidence the succession of another person to our obligations;

to add to the covenants for the benefit of holders or to surrender any of our rights or powers under those agreements;

to evidence and provide for the acceptance of appointment of a successor trustee or a successor collateral agent;

to make provision with respect to the rights of holders pursuant to adjustments in the exchange ratio, the initial price and the threshold appreciation price and the applicable market value, if applicable, due to dilution events or changes to the exchange property due to adjustment events or reorganization events; or

to cure any ambiguity, to cure, correct or supplement any provisions that may be defective or inconsistent with any other provisions of the indenture, or to make any other change that we and the trustee determine is not inconsistent with the Indenture and the PIES, and that will, in all cases, not materially adversely affect the interest of holders.

The indenture and the collateral agreement contain provisions permitting us and, in the case of the indenture, the trustee, and in the case of the collateral agreement, the collateral agent, with the consent of the holders of not less than a majority of the aggregate principal amount of the PIES at the time outstanding, to modify the terms of the PIES, the indenture and the collateral agreement. However, no such modification may, without the consent of each holder of an outstanding PIES affected by the modification (in addition to a majority of the aggregate principal amount of the PIES at the time outstanding):

change any payment date or extend the maturity date of any PIES;

reduce the principal amount of any PIES;

reduce the number of DSW Class A common shares (or the amount of any other exchange property) deliverable upon exchange of the PIES, change the exchange date or the provisions for cash merger-

Table of Contents

related early exchange or otherwise adversely affect the holder s rights to exchange under the PIES or the indenture;

change the amount or type of collateral required to be pledged pursuant to the collateral agreement to secure our obligation under the PIES;

change the place or currency of payment or reduce any coupon payments;

impair the right to institute suit for the enforcement of the PIES or any coupon payments;

change our obligation to maintain an office or agency in New York City; or

reduce the above-stated percentage of aggregate principal amount of the outstanding PIES with respect to which consent is required for the modification or amendment of the PIES, the indenture or the collateral agreement or the waiver of an event of default.

Voting and Certain Other Rights

Holders of PIES will have no rights with respect to the DSW Class A common shares or other exchange property, including, without limitation, voting rights or rights to receive any dividends or other distributions on the DSW Class A common shares, except as set forth under *Exchange Adjustments*.

Listing of the PIES

We intend to apply to have the PIES listed on the NYSE under the symbol RVH. Approval of our listing application is subject to the PIES meeting the NYSE listing standards, and therefore we cannot assure you that it will be approved. DSW Class A common shares are listed on the NYSE under the symbol DSW.

Payments of Unclaimed Moneys

Moneys deposited with the trustee or any paying agent for the payment of coupons on any PIES or payment with respect to a full or partial cash settlement or payment with respect to a cash merger that remains unclaimed for two years will be repaid to us at our request, unless the law requires otherwise. If you want to claim any unclaimed moneys, you must look to us and not to the trustee or paying agent.

Purchase of PIES by Us or Our Affiliates

We or our affiliates (including DSW) may from time to time, to the extent permitted by law, purchase any of the PIES that are then outstanding by tender, in the open market or by private agreement. Any PIES purchased by us will be immediately cancelled and no longer outstanding, and collateral securing such PIES may be released to us. Any PIES purchased by our affiliates may not be resold, except in accordance with the securities laws.

Book-Entry System

We will issue the PIES in the form of one or more fully registered global notes. The global PIES will be deposited upon issuance with, or on behalf of, DTC. DTC will act as depositary. The global PIES will be registered in the name of DTC or its nominee.

Ownership of beneficial interests in a global PIES will be limited to institutions that have accounts with DTC, or participants, and to persons that may hold interests through the participants. Beneficial interests in a global PIES will be shown on, and transfers of those ownership interests will be effected only through, records maintained by DTC and participants for that global PIES. The conveyance of notices and other communications by DTC to participants and by participants to owners of beneficial interests in the PIES will be governed by arrangements among them, subject to any statutory or regulatory requirements in effect.

DTC holds the securities of participants and facilitates the clearance and exchange of securities transactions among participants through electronic book-entry changes in accounts of participants. The electronic book-entry system eliminates the need for physical certificates. Participants include:

securities brokers and dealers (including the underwriters);

banks;

40

Table of Contents

trust companies;

clearing corporations; and

other organizations (some of which, and/or their representatives, own DTC).

Banks, brokers, dealers, trust companies and others that clear through or maintain a custodial relationship with a participant, either directly or indirectly, also have access to DTC s book-entry system.

All payments on the PIES represented by a global PIES and all transfers and deliveries of DSW Class A common shares or exchange property will be made to DTC or its nominee, as the case may be, as the sole registered owner and the sole holder of the PIES represented by the global PIES for all purposes under the indenture. Accordingly, we and the trustee will have no responsibility or liability for:

any aspect of DTC s records relating to, or payments made on account of, beneficial ownership interests in a PIES represented by a global PIES;

any other aspect of the relationship between DTC and participants or the relationship between participants and the owners of beneficial interests in a global PIES held through participants; or

the maintenance, supervision or review of any of DTC s records relating to those beneficial ownership interests.

The following description of the operations and procedures of DTC is provided solely for your convenience. These operations and procedures are solely within the control of DTC and are subject to changes by it from time to time. We take no responsibility for these operations and procedures and urge investors to contact DTC or participants directly to discuss these matters.

DTC has advised us that, upon receipt of any payment or delivery with respect to a global PIES, DTC will immediately credit, on its book-entry registration and transfer system, the accounts of participants with payments or deliveries in amounts proportionate to their respective beneficial interests in that global PIES as shown on DTC s records. The underwriter will initially designate the accounts to be credited. Payments and deliveries by participants to owners of beneficial interests in a global PIES will be governed by standing instructions and customary practices, as is the case with securities held for customer accounts registered in street name, and will be the sole responsibility of those participants.

A global PIES can only be transferred:

as a whole by DTC to one of its nominees;

as a whole by a nominee of DTC to DTC or another nominee of DTC; or

as a whole by DTC or a nominee of DTC to a successor of DTC or a nominee of that successor.

PIES represented by a global PIES can be exchanged for definitive PIES in registered form only if:

DTC notifies us that it is unwilling or unable to continue as depositary for that global PIES or at any time DTC ceases to be a clearing agency registered under the Securities Exchange Act of 1934, as amended, and, in either case, a successor is not appointed within 90 calendar days;

we in our sole discretion determine that the global PIES will be exchangeable for definitive PIES in registered form and notify the trustee of our decision; or

an event of default with respect to the PIES represented by that global PIES has occurred and is continuing.

A global PIES that can be exchanged under the preceding sentence will be exchanged for definitive PIES that are issued in authorized denominations in registered form for the same aggregate amount. Those definitive PIES will be registered in the names of the owners of the beneficial interests in the global PIES as directed by DTC.

Except as provided above, (1) owners of beneficial interests in such global PIES will not be entitled to receive physical delivery of PIES in definitive form and will not be considered the holders of the PIES for any purpose under

the indenture and (2) no PIES represented by a global PIES will be exchangeable for definitive PIES. Accordingly, each person owning a beneficial interest in a global PIES must rely on the

Table of Contents

procedures of DTC (and if that person is not a participant, on the procedures of the participant through which that person owns its interest) to exercise any rights of a holder under the indenture or that global PIES. The laws of some jurisdictions require that some purchasers of securities take physical delivery of the securities in definitive form. Those laws may impair the ability to transfer beneficial interests in a global PIES.

Beneficial interests in a global PIES will trade in DTC s same-day exchange system, subject to certain restrictions on transfer described above, until maturity or until issuance of definitive PIES in registered form as provided for in the indenture.

We understand that under existing industry practices, if we request holders to take any action, or if an owner of a beneficial interest in a global PIES desires to take any action that a holder is entitled to take under the indenture, then (1) DTC would authorize the participants holding the relevant beneficial interests to take that action and (2) those participants would authorize the beneficial owners owning through those participants to take that action or would otherwise act on the instructions of beneficial owners owning through them.

DTC has provided the following information to us. DTC is:

a limited purpose trust company organized under the laws of the State of New York;

a banking organization within the meaning of the New York Banking Law;

a member of the Federal Reserve;

a clearing corporation within the meaning of the New York Uniform Commercial Code; and

a clearing agency registered under the Securities Exchange Act of 1934.

Governing Law

The indenture and the collateral agreement are each governed by and shall be construed in accordance with the laws of the State of New York.

Information Concerning Indenture Trustee and Collateral Agent

HSBC will be the trustee under the indenture and the collateral agent under the collateral agreement. HSBC is one of a number of banks with which we maintain banking relationships in the ordinary course of business, and HSBC and its affiliates may also provide other services to us in the ordinary course of their business. The indenture contains certain limitations on the rights of the trustee, if it or any of its affiliates is then our creditor, to obtain payment of claims in certain cases or to realize on certain property received on any claim as security or otherwise. The trustee and its affiliates will be permitted to engage in other transactions with us. However, if the trustee or any affiliate continues to have any conflicting interest and a default occurs with respect to the PIES, the trustee must eliminate such conflict or resign.

Calculations in Respect of the PIES

Except as otherwise provided herein, we will be responsible for making all calculations called for under the PIES. These calculations include, but are not limited to, determinations of the sale price of the DSW Class A common shares, accrued coupons payable on the PIES and the exchange ratio. We or our agents will make all these calculations in good faith and, absent manifest error, such calculations will be final and binding on holders of the PIES. We will provide a schedule of these calculations to the trustee, and the trustee is entitled to rely upon the accuracy of our calculations without independent verification. The trustee will forward these calculations to any holder of the PIES upon the request of that holder.

Table of Contents

ACCOUNTING TREATMENT OF THE PIES

The PIES will be accounted for as debt, with an embedded derivative that will be separated from the host contract and accounted for as a derivative. The derivative will be recorded at fair value with changes in fair value from period to period recorded in earnings. Accordingly, the accounting for the embedded derivative addresses the variations in the fair value of the obligation to settle the PIES when the market value of the DSW Class A common shares exceeds the threshold appreciation price or is less than the initial price. At maturity, the PIES are exchangeable into a variable number of DSW Class A common shares based upon on the applicable market value of DSW Class A common shares, with a floor and a ceiling. If the applicable market value is greater than or equal to the initial price at the time the PIES are settled, the holder of the PIES would receive stock with a value at least equal to the principal amount of the PIES.

Table of Contents

UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

The following is a general summary of the anticipated material U.S. federal income tax consequences relating to the ownership and disposition of the PIES by holders who purchase the PIES in this offering and who hold such PIES as capital assets. This summary is based on currently existing provisions of the Internal Revenue Code of 1986, as amended, or the Code , existing and proposed Treasury regulations promulgated thereunder, and administrative and judicial interpretations thereof, all as in effect or proposed on the date hereof and all of which are subject to change, possibly with retroactive effect or different interpretations. This discussion does not address all the tax consequences that may be relevant to specific holders in light of their particular circumstances or to holders subject to special treatment under U.S. federal income tax laws (such as financial institutions, insurance companies, tax-exempt organizations, retirement plans, partnerships and their partners, other pass-through entities and their members, dealers in securities, brokers, U.S. expatriates, persons whose functional currency is not the U.S. dollar, real estate investment trusts, regulated investment companies, or persons who have acquired the PIES as part of a straddle, hedge, conversion transaction or other integrated investment). This discussion does not address the state, local, estate and gift, non-U.S. tax, and alternative minimum tax consequences relating to the ownership and disposition of the PIES. Special rules may apply to you if you are a controlled foreign corporation, passive foreign investment company, or an individual who is a United States expatriate and therefore subject to special treatment under the Code. You should consult your own tax advisors to determine the United States federal, state, local and other tax consequences that may be relevant to you.

You are urged to consult your own tax advisor regarding the U.S. federal income tax consequences of owning and disposing of the PIES, as well as the applicability and effect of any state, local or foreign tax laws, or any U.S. federal non-income tax laws.

As used in this discussion, the term United States holder refers to a beneficial owner of the PIES that for U.S. federal income tax purposes is:

(i) an individual who is a citizen or resident of the United States;

(ii) a corporation (or other entity taxable as a corporation) created or organized in or under the laws of the United States or any state or political subdivision thereof or therein, including the District of Columbia;

(iii) an estate the income of which is subject to U.S. federal income tax regardless of the source thereof; or

(iv) a trust (a) with respect to which a court within the United States is able to exercise primary supervision over its administration and one or more United States persons have the authority to control all its substantial decisions, or (b) that has in effect a valid election under applicable U.S. Treasury Regulations to be treated as a United States person.

A non-United States holder refers to a beneficial owner (other than a partnership) of the PIES that is not a United States holder. If a partnership or other entity or arrangement treated as a partnership for U.S. federal income tax purposes holds PIES, the tax treatment of a partner in such a partnership generally will depend upon the status of the partner and the activities of the partnership. If you are a partnership holding PIES, or a partner in such a partnership, we urge you to consult your own tax advisor.

General

No statutory, judicial or administrative authority directly addresses the characterization of the PIES or instruments similar to the PIES for United States federal income tax purposes. As a result, significant aspects of the United States federal income and withholding tax consequences of an investment in the PIES are not certain. No ruling is being requested from the Internal Revenue Service with respect to the PIES and no assurance can be given that the Internal Revenue Service will agree with the treatment described herein. We intend to treat, and by purchasing a PIES, you agree to treat, a PIES for all purposes as a variable prepaid

Table of Contents

forward contract rather than as a debt instrument. Except where otherwise noted, the remainder of this discussion assumes that this treatment is correct.

There can be no assurance that the Internal Revenue Service will agree with the foregoing treatment of the PIES, and it is possible that the Internal Revenue Service could assert another treatment and that a court could agree with such assertion. For instance, it is possible that the Internal Revenue Service could seek to apply the regulations governing contingent payment debt obligations, in particular because the PIES in form are debt instruments. Those regulations would require you to accrue interest income at a market rate, notwithstanding the coupon payments actually made, and generally would characterize gain or, to some extent, loss as ordinary rather than capital. The Internal Revenue Service could also assert other characterizations that could affect the timing, amount and character of income or deductions.

United States Holders

The following discussion is a summary of the anticipated material United States Federal income tax consequences that will apply to you if you are a United States holder of PIES.

Coupon Payments

Under current law, the treatment of the coupon payments made by us with respect to the PIES is unclear. Such coupon payments should not constitute interest income for U.S. federal income tax purposes but may constitute other income that would be taxable to you when received or accrued, in accordance with your method of tax accounting. To the extent we are required to file information returns with respect to the coupon payments, we intend to report such payments as taxable income to you and the remainder of this disclosure assumes such treatment is correct. You should consult your own tax advisor concerning the treatment of the coupon payments, including the possibility that any such payment may be treated as interest income or as a purchase price adjustment, rebate or payment analogous to an option premium, rather than being includible in income on a current basis. The treatment of the coupon payments could affect your tax basis in PIES or your amount realized upon the sale, exchange or other disposition of PIES. See *Sale, Exchange or Other Disposition of PIES.*

Sale, Exchange or Other Disposition, or Cash Settlement Upon Maturity

Upon a sale, exchange or other disposition, or payment upon cash settlement upon maturity of a PIES, you will recognize gain or loss equal to the difference between the amount of cash received and your basis in the PIES. The gain or loss will be treated as capital gain or loss. If you are an individual and have held the PIES for more than one year, any such capital gain will generally be subject to reduced rates of taxation. The deductibility of capital losses is subject to limitations. Your basis in the PIES will generally equal your cost of such PIES. Coupon payments, if any, received by you but not includible in your income should reduce your tax basis in the PIES. See *Coupon Payments.*

Although the tax consequences of settling the PIES for a combination of cash and DSW common stock are not entirely clear, in the case of such partial cash settlement, the cash payment received should generally be viewed as proceeds from the sale of a portion of the PIES and treated in the manner described above, and the DSW common stock received should generally be treated as described below under *Physical Settlement Upon Maturity.* You should consult your tax advisor regarding the treatment of such partial cash settlement.

Physical Settlement Upon Maturity

Upon settlement at maturity of a PIES in shares of DSW common stock, although the matter is not free from doubt, we intend to take the position that you will not recognize gain or loss on the purchase of the stock. You will have a tax basis in such stock equal to your tax basis in your PIES, and will have a holding period in the DSW common stock beginning on the date after the stated maturity date of your PIES. You will recognize capital gain or loss with respect to cash received in lieu of a fractional share of such stock.

Table of Contents

Non-United States Holders

The following discussion is a summary of the anticipated material United States federal income and withholding tax consequences that will apply to you if you are a non-United States holder of PIES.

Coupon Payments

We will generally withhold tax at a 30% rate on coupon payments paid on the PIES, unless such rate is reduced or eliminated by an other income or similar provision of an applicable U.S. income tax treaty and the relevant certification requirements are satisfied. However, coupon payments that are effectively connected with your conduct of a trade or business within the United States and, where a tax treaty applies, are attributable to your United States permanent establishment, are not subject to the withholding tax if the relevant certification requirements are satisfied, but instead are subject to United States federal income tax.

Sale, Exchange or Other Disposition, or Cash Settlement Upon Maturity

Based on the treatment of the PIES described above, any gain or income realized upon the sale, exchange or other disposition of a PIES generally will not be subject to United States federal income tax unless (i) the gain or income is effectively connected with a trade or business in the United States of a non-United States holder, (ii) in the case of a non-United States holder who is an individual, such individual is present in the United States for 183 days or more in the taxable year of the sale, exchange or other disposition, and certain other conditions are met or (iii) DSW is a United States real property holding corporation, as defined in Section 897(c)(2) of the Code. DSW does not believe that it has been, is currently or is likely to be a U.S. real property holding corporation for U.S. federal tax purposes.

Based on the treatment of the PIES described above, you should not be subject to United States federal withholding tax for payments on any sale, exchange or other disposition or payment upon maturity of the PIES or on payments received at maturity in respect of the PIES, provided that DSW is not a United States real property holding corporation.

As discussed above, alternative characterizations of a PIES for United States federal tax purposes are possible, which could result in the imposition of United States federal income or withholding tax on the sale, exchange or other disposition of a PIES. You should consult your own tax advisor regarding the United States federal income and withholding tax consequences of an investment in the PIES.

Table of Contents

CERTAIN ERISA CONSIDERATIONS

Section 406 of ERISA and Section 4975 of the Code prohibit employee benefit plans that are subject to Title I of ERISA, as well as individual retirement accounts and other plans subject to Section 4975 of the Code or any entity deemed to hold assets of a plan subject to Title I of ERISA or Section 4975 of the Code (each of which we refer to as a Plan), from engaging in certain transactions involving plan assets with persons who are parties in interest under ERISA or disqualified persons under Section 4975 of the Code, or Parties in Interest, with respect to such Plans. If we are a Party in Interest with respect to a Plan (either directly or by reason of our ownership of our subsidiaries), the purchase and holding of the PIES by or on behalf of the Plan may be a prohibited transaction under Section 406(a)(1) of ERISA and Section 4975(c)(1) of the Code, unless exemptive relief were available under an applicable administrative exemption or there were some other basis on which the transaction was not prohibited.

Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) or ERISA) and foreign plans (as described in Section 4(b)(4) of ERISA) are not subject to these prohibited transaction rules of ERISA or Section 4975 of the Code, but may be subject to similar rules under federal, state, local, non-U.S or other laws or regulations that are similar to such provisions of Section 406 of ERISA or Section 4975 of the Code (which we refer to as Similar Laws).

Accordingly, each purchaser or transferee, by its purchase or holding of such PIES, shall be deemed to have represented and covenanted that either it is not purchasing or holding the PIES for or on behalf of, a Plan or other plan subject to Similar Law, or such purchase will not give rise to a non-exempt prohibited transaction described in Section 406 of ERISA or Section 4975(c)(1) of the Code for which a statutory or administrative exemption is unavailable or a violation of applicable Similar Law.

The foregoing discussion is general in nature and is not intended to be all-inclusive. Due to the complexity of the applicable rules, it is particularly important that fiduciaries or other persons considering purchasing the PIES on behalf of or with plan assets of any Plan consult with their counsel regarding the relevant provisions of Section 406 of ERISA and Section 4975 of the Code and any other provision under any applicable Similar Law and the availability of exemptive relief applicable to the purchase and holding of the PIES.

Table of Contents

UNDERWRITING

We have entered into an underwriting agreement with Lehman Brothers Inc., as underwriter, pursuant to which, and subject to its terms and conditions, we have agreed to sell to Lehman Brothers Inc. and Lehman Brothers Inc. has agreed to purchase from us $125,000,000 in aggregate principal amount of PIES.

The underwriting agreement provides that the underwriter s obligation to purchase the PIES depends on the satisfaction of the conditions contained in the underwriting agreement, including:

the representations and warranties made by us to the underwriter are true;

there is no material change in our business or the financial markets; and

we deliver customary closing documents to the underwriter.

Lehman Brothers Inc. has advised us that it intends to offer the PIES initially at the offering price shown on the cover page of this prospectus and to certain dealers at the offering price less a selling concession in each issue not to exceed $ per $50 principal amount of PIES. After the initial offering of the PIES, the underwriter may change the public offering price and the concession to selected dealers.

Option to Purchase Additional PIES

We have granted to the underwriter an option exercisable for 30 days after the date of the underwriting agreement to purchase an aggregate of up to an additional $18,750,000 principal amount of PIES at the public offering price, less underwriting discounts and commissions shown on the cover page of this prospectus.

Commission and Expenses

The following table shows the underwriting fees to be paid to Lehman Brothers Inc. by us in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the option to purchase additional PIES. The underwriting discounts and commissions are equal to % of the public offering price.

	No Exercise	Full Exercise
Per $50 Principal Amount of PIES	$	$
Total	$	$

The expenses of the offering, including registration, filing and listing fees, printing fees and legal and accounting expenses, but excluding underwriting discounts and commissions, are payable by us. We expect that these expenses will be approximately $2.4 million. The underwriter has agreed to reimburse us for certain of our expenses associated with this offering.

Offering Price Determination

Prior to this offering, there has been no public market for the PIES. Lehman Brothers Inc. has advised us that it presently intends to make a market in the PIES as permitted by applicable laws and regulations. Lehman Brothers Inc. is not obligated, however, to make a market in the PIES, and it may discontinue this market making at any time in its sole discretion. Accordingly, we cannot assure investors that there will be adequate liquidity or adequate trading market for the PIES.

Listing on New York Stock Exchange

We intend to apply to list the PIES on the NYSE under the symbol RVH. Approval of our listing application is subject to the PIES meeting the NYSE listing standards, and therefore we cannot assure you that it will be approved. The DSW Class A common shares of DSW are listed on the NYSE under the symbol DSW.

Table of Contents

Price Stabilization and Short Positions

Lehman Brothers Inc. may engage in short sales and purchases to cover positions created by short sales, stabilizing transactions or purchases for the purpose of pegging, fixing or maintaining the price of the PIES and the DSW Class A common shares in accordance with Regulation M under the Securities Exchange Act of 1934:

A short position involves a sale by the underwriter of PIES in excess of the number of PIES the underwriter is obligated to purchase in the offering, which creates a short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of PIES involved in the sales made by the underwriter is not greater than the number of PIES that the underwriter may purchase by exercising its option to purchase additional PIES. In a naked short position, the number of PIES involved is greater than the number of PIES that it may purchase with its option to purchase additional PIES. The underwriter may close out any short position by either exercising its option and/or purchasing PIES in the open market. In determining the source of PIES to close out the short position, the underwriter will consider, among other things, the price of PIES available for purchase in the open market as compared to the price at which it may purchase PIES through its option. If the underwriter sells more PIES than could be covered by their option, a naked short position, the position can only be closed out by buying PIES in the open market. A naked short position is more likely to be created if the underwriter is concerned that there could be downward pressure on the price of the PIES in the open market after pricing that could adversely affect investors who purchase in the offering.

Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. These stabilizing transactions may have the effect of raising or maintaining the market price of the PIES or DSW Class A common shares or preventing or retarding a decline in the market price of the PIES or DSW Class A common shares. As a result, the price of the PIES or of DSW Class A common shares may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the NYSE or otherwise, and, if commenced, may be discontinued at any time.

Neither we nor the underwriter make any representations or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the PIES or the DSW Class A common shares. In addition, neither we nor the underwriter make representations that Lehman Brothers Inc. will engage in these stabilizing transactions or that any transaction, once commenced, will not be discontinued without notice.

Electronic Distributions

This prospectus in electronic format may be made available on the Internet site or through other online services maintained by the underwriter or by its affiliates. In these cases, prospective investors may view offering terms online and prospective investors may be allowed to place orders online. The underwriter may agree with us to allocate a specific number of PIES for sale to online brokerage account holders. Any such allocation for online distributions will be made by the underwriter on the same basis as other allocations.

Other than this prospectus in electronic format, the information on any underwriter web site and any information contained in any other web site maintained by the underwriter is not a part of this prospectus, has not been approved and/or endorsed by us or the underwriter in its capacity as underwriter and should not be relied upon by investors.

Lock-up Agreements

We and our directors and executive officers, as well as DSW and its directors and executive officers and SSC, have agreed that, unless we receive the prior written consent of Lehman Brothers Inc., we and they will not directly or indirectly offer, pledge, announce the intention to sell, sell, contract to sell, sell an option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or

Table of Contents

otherwise transfer or dispose of any of DSW Class A common shares or any securities which may be converted into or exchanged for any of DSW s Class A common shares or enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of any of DSW s Class A common shares for a period of 90 days from the date of the prospectus, other than pursuant to DSW s equity incentive plans. However, SSC may transfer the warrants it holds as of the date of this prospectus without the prior written consent of Lehman Brothers Inc. These warrants are, at the option of the holder, exercisable into either common shares of Retail Ventures or DSW Class A common shares acquired from Retail Ventures. Retail Ventures may acquire DSW Class A common shares in the following manner: DSW may issue Class A common shares to Retail Ventures in exchange for DSW Class B common shares currently held by Retail Ventures, and Retail Ventures is permitted to transfer such Class A common shares upon exercise of these warrants for DSW Class A common shares by SSC, Cerberus or Millennium, or their permitted transferees.

The 90-day restricted period described in the preceding paragraph will be extended if:

during the last 17 days of the 90-day restricted period we or DSW issue an earnings release or announce material news or a material event relating to us occurs; or

prior to the expiration of the 90-day restricted period, we or DSW announce that we will release earnings results during the 16-day period beginning on the last day of the 90-day period,

in which case the restrictions described in the preceding paragraph will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the announcement of the material news or the occurrence of a material event, unless such extension is waived in writing by Lehman Brothers Inc.

Indemnification

We have agreed to indemnify the underwriter against liabilities relating to the offering, including liabilities under the Securities Act of 1933 and liabilities arising from breaches of certain representations and warranties contained in the underwriting agreement, and to contribute to payments that the underwriter may be required to make for these liabilities.

Stamp Taxes

Purchasers of the PIES offered by this prospectus may be required to pay stamp taxes and other charges under the laws and practices of the country of purchase, in addition to the offering price listed on the cover page of this prospectus. Accordingly, we urge you to consult a tax advisor with respect to whether you may be required to pay taxes or charges, as well as any other consequences that may arise under the laws of the country of purchase.

Other Relationships

From time to time, Lehman Brothers Inc. and its affiliates have directly and indirectly provided investment and/or commercial banking services to us and DSW, for which they have received customary compensation and expense reimbursement, including, but not limited to, Lehman Brothers Inc. s provision in June 2005 of financial advisory services to Retail Ventures in connection with the restructuring of Retail Ventures existing indebtedness. Lehman Brothers Inc. also acted as lead managing underwriter of the initial public offering of DSW s Class A common shares, which closed in July of 2005.

The underwriter and its affiliates may directly or indirectly provide investment and/or commercial banking services to us and DSW in the future, for which we expect to pay them customary compensation and expense reimbursement.

United Kingdom

This document is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) to investment professionals falling within Article 19(5) of the Financial Services and

Table of Contents

Markets Act 2000 (Financial Promotion) Order 2005, or the Order or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (e) of the Order (all such persons together being referred to as relevant persons). The PIES are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such PIES will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

Lehman Brothers Inc. has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 or FSMA) received by it in connection with the issue or sale of the PIES in circumstances in which Section 21(1) of the FSMA does not apply to us, and

(b) it has complied with, and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the PIES in, from or otherwise involving the United Kingdom.

European Economic Area

To the extent that the offer of the PIES is made in any Member State of the European Economic Area that has implemented the Prospectus Directive before the date of publication of a prospectus in relation to the PIES which has been approved by the competent authority in the Member State in accordance with the Prospectus Directive (or, where appropriate, published in accordance with the Prospectus Directive and notified to the competent authority in the Member State in accordance with the Prospectus Directive), the offer (including any offer pursuant to this document) is only addressed to qualified investors in that Member State within the meaning of the Prospectus Directive or has been or will be made otherwise in circumstances that do not require us to publish a prospectus pursuant to the Prospectus Directive.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), the underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) it has not made and will not make an offer of PIES to the public in that Relevant Member State prior to the publication of a prospectus in relation to the PIES which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of PIES to the public in that Relevant Member State at any time:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities,

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than 43,000,000 and (3) an annual net turnover of more than 50,000,000, as shown in its last annual or consolidated accounts, or

(c) in any other circumstances which do not require the publication by us of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an offer of PIES to the public in relation to any PIES in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the PIES to be offered so as to enable an investor to decide to purchase or subscribe the PIES, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

In relation to each Relevant Member State, each purchaser of PIES (other than the underwriter) will be deemed to have represented, acknowledged and agreed that it will not make an offer of PIES to the public in

51

Table of Contents

any Relevant Member State, except that it may, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, make an offer of PIES to the public in that Relevant Member State at any time in any circumstances which do not require the publication by us of a prospectus pursuant to Article 3 of the Prospectus Directive, provided that such purchaser agrees that it has not and will not make an offer of any PIES in reliance or purported reliance on Article 3(2)(b) of the Prospectus Directive. For the purposes of this provision, the expression an offer of PIES to the public in relation to any PIES in any Relevant Member State has the same meaning as in the preceding paragraph.

Table of Contents

EXPERTS

The consolidated financial statements, the related financial statement schedules and management s report on the effectiveness of internal control over financial reporting incorporated in this prospectus by reference from Retail Ventures Annual Report on Form 10-K for the fiscal year ended January 28, 2006 have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports, which are incorporated herein by reference, and have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

LEGAL MATTERS

Retail Ventures is represented by Skadden, Arps, Slate, Meagher & Flom LLP, New York, New York and Vorys, Sater, Seymour and Pease LLP, Columbus, Ohio, and the underwriters are represented by Debevoise & Plimpton LLP, New York, New York and Simpson Thacher & Bartlett LLP, New York, New York. The validity of the PIES offered in this offering will be passed upon for Retail Ventures by Skadden, Arps, Slate, Meagher & Flom LLP, New York, New York, and the validity of the DSW Class A common shares into which the PIES are exchangeable will be passed upon for Retail Ventures and DSW by Vorys, Sater, Seymour and Pease LLP, Columbus, Ohio.

WHERE YOU CAN FIND MORE INFORMATION

Retail Ventures is subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith, files reports, proxy and information statements and other information with the Securities and Exchange Commission. Such reports, proxy and information statements and other information can be inspected and copied at the Public Reference Room maintained by the Securities and Exchange Commission at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the Securities and Exchange Commission at 1-800-SEC-0330. The Securities and Exchange Commission maintains an Internet site at http://www.sec.gov that contains reports, proxy and information statements and other information regarding issuers that file electronically with the Securities and Exchange Commission, including Retail Ventures. Retail Ventures common shares are listed and traded on the NYSE under the symbol RVI. These reports, proxy and information statements and other information can also be inspected at the offices of the NYSE, 20 Broad Street, New York, New York 10005. We maintain a website at http://www.retailventuresinc.com.

DSW also files reports, proxy and information statements and other information with the Securities and Exchange Commission, and the DSW Class A common shares are also listed on the NYSE under the symbol DSW. Accordingly, information about DSW can be inspected and copied in the manner described above.

Retail Ventures has filed with the Securities and Exchange Commission a registration statement on Form S-3, as amended, under the Securities Act of 1933. This prospectus does not contain all the information set forth in the registration statement, some parts of which are omitted in accordance with the rules and regulations of the Securities and Exchange Commission. For further information, reference is hereby made to the registration statement and all amendments and exhibits thereto.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The Securities and Exchange Commission allows incorporation by reference into this prospectus of information that Retail Ventures files with the Securities and Exchange Commission. This permits Retail Ventures to disclose important information to you by referencing these filed documents. Any information referenced in this way is considered part of this prospectus, and any information filed with the Securities and Exchange Commission subsequent to the date of this prospectus and prior to the termination of the offering

Table of Contents

will automatically be deemed to be incorporated by reference into this prospectus. We incorporate by reference the following documents that have been filed with the Securities and Exchange Commission:

Annual Report on Form 10-K for the fiscal year ended January 28, 2006;

Quarterly Report on Form 10-Q for the quarter ended April 29, 2006;

Current Reports on Form 8-K as filed on February 2, 2006, March 14, 2006, April 4, 2006, April 11, 2006 and April 27, 2006;

Proxy Statement for the Annual Meeting of Shareholders held on June 15, 2006; and

All documents filed by us pursuant to Section 13(a), 13(c), 14 and 15(d) of the Securities Exchange Act of 1934, as amended, after the date of this prospectus.

We will provide without charge to each person to whom a copy of this prospectus has been delivered, upon the written or oral request of such person, a copy of any or all of the documents referred to above which have been or may be incorporated by reference herein (other than exhibits to such documents unless such exhibits are specifically incorporated by reference in such documents). Requests for such copies should be directed to: Retail Ventures, Inc., 3241 Westerville Road, Columbus, Ohio 43224, (614) 471-4722, Attn: Julia A. Davis.

Table of Contents

LOGO

$125,000,000 PIES[sm]
(Premium Income Exchangeable Securities[sm])
% Mandatorily Exchangeable Notes
Due , 2011
(Subject to exchange into Class A common shares
of DSW Inc.)

PROSPECTUS
, 2006

Lehman Brothers

PIES and Premium Income Exchangeable Securities are service marks owned by Lehman Brothers Inc.

Table of Contents

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

Item 14. ***Other Expenses of Issuance and Distribution***

The following table sets forth the various costs and expenses, payable by us in connection with the offering of the PIES being registered. All the amounts shown are estimates except for the SEC registration fee:

Securities and Exchange Commission registration fee	$	15,381
National Association of Securities Dealers, Inc. filing fee	$	15,500
NYSE listing fee	$	23,025
Printing and engraving costs	$	200,000
Legal fees and expenses	$	1,835,000
Accountants fees and expenses	$	100,000
Blue sky qualification fees and expenses	$	30,000
Trustee and collateral agent fees	$	15,000
Miscellaneous	$	205,000
Total	$	2,438,906*

* Includes all estimated costs and expenses associated with DSW Class A common shares deliverable upon exchange of the PIES.

Item 15. ***Indemnification of Directors and Officers.***

Article SEVENTH of the Retail Ventures First Amended and Restated Articles of Incorporation provides as follows:

SEVENTH: Indemnification and Insurance

The Corporation shall indemnify any director, officer, incorporator, or any former director or officer of the Corporation or any person who is or has served at the request of the Corporation as a director, officer or trustee of another corporation, partnership, joint venture, trust or other enterprise (and his heirs, executors and administrators) against expenses, including attorneys fees, judgments, fines and amounts paid in settlement, actually and reasonably incurred by him by reason of the fact that he is or was such director, officer, incorporator or trustee in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, to the full extent and according to the procedures and requirements set forth in the Ohio General Corporation Law as the same may be in effect from time to time, provided that he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interest of the Corporation, and with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The indemnification provided for herein shall not be deemed to restrict the right of the Corporation to (i) indemnify employees, agents and others as permitted by such Law, (ii) purchase and maintain insurance or provide similar protection on behalf of the directors, officers, or such other persons against liabilities asserted against them or expenses incurred by them arising out of their service to the Corporation as contemplated herein, and (iii) enter into agreements with such directors, officers, incorporators, employees, agents or others indemnifying them against any and all liabilities (or such lesser indemnification as may be provided in such agreements) asserted against them or incurred by them arising out of their service to the Corporation as contemplated herein.

Division (E) of Section 1701.13 of the Ohio Revised Code governs indemnification by an Ohio corporation and provides as follows:

Table of Contents

(F)(1) A corporation may indemnify or agree to indemnify any person who was or is a party, or is threatened to be made a party, to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative, other than an action by or in the right of the corporation, by reason of the fact that he is or was a director, officer, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, trustee, officer, employee, member, manager, or agent of another corporation, domestic or foreign, nonprofit or for profit, a limited liability company, or a partnership, joint venture, trust, or other enterprise, against expenses, including attorney s fees, judgments, fines, and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit, or proceeding, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, if he had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit, or proceeding by judgment, order, settlement, or conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, he had reasonable cause to believe that his conduct was unlawful.

(2) A corporation may indemnify or agree to indemnify any person who was or is a party, or is threatened to be made a party, to any threatened, pending, or completed action or suit by or in the right of the corporation to procure a judgment in its favor, by reason of the fact that he is or was a director, officer, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, trustee, officer, employee, member, manager, or agent of another corporation, domestic or foreign, nonprofit or for profit, a limited liability company, or a partnership, joint venture, trust, or other enterprise, against expenses, including attorney s fees, actually and reasonably incurred by him in connection with the defense or settlement of such action or suit, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification shall be made in respect of any of the following:

(a) Any claim, issue, or matter as to which such person is adjudged to be liable for negligence or misconduct in the performance of his duty to the corporation unless, and only to the extent that, the court of common pleas or the court in which such action or suit was brought determines, upon application, that, despite the adjudication of liability, but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses as the court of common pleas or such other court shall deem proper;

(b) Any action or suit in which the only liability asserted against a director is pursuant to section 1701.95 of the Revised Code.

(3) To the extent that a director, trustee, officer, employee, member, manager, or agent has been successful on the merits or otherwise in defense of any action, suit, or proceeding referred to in division (E)(1) or (2) of this section, or in defense of any claim, issue, or matter therein, he shall be indemnified against expenses, including attorney s fees, actually and reasonably incurred by him in connection with the action, suit, or proceeding.

(4) Any indemnification under division (E)(1) or (2) of this section, unless ordered by a court, shall be made by the corporation only as authorized in the specific case, upon a determination that indemnification of the director, trustee, officer, employee, member, manager, or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in division (E)(1) or (2) of this section. Such determination shall be made as follows:

(a) By a majority vote of a quorum consisting of directors of the indemnifying corporation who were not and are not parties to or threatened with the action, suit, or proceeding referred to in division (E)(1) or (2) of this section;

(b) If the quorum described in division (E)(4)(a) of this section is not obtainable or if a majority vote of a quorum of disinterested directors so directs, in a written opinion by independent

Table of Contents

legal counsel other than an attorney, or a firm having associated with it an attorney, who has been retained by or who has performed services for the corporation or any person to be indemnified within the past five years;

(c) By the shareholders;

(d) By the court of common pleas or the court in which the action, suit, or proceeding referred to in division (E)(1) or (2) of this section was brought.

Any determination made by the disinterested directors under division (E)(4)(a) or by independent legal counsel under division (E)(4)(b) of this section shall be promptly communicated to the person who threatened or brought the action or suit by or in the right of the corporation under division (E)(2) of this section, and, within ten days after receipt of such notification, such person shall have the right to petition the court of common pleas or the court in which such action or suit was brought to review the reasonableness of such determination.

(5)(a) Unless at the time of a director s act or omission that is the subject of an action, suit, or proceeding referred to in division (E)(1) or (2) of this section, the articles or the regulations of a corporation state, by specific reference to this division, that the provisions of this division do not apply to the corporation and unless the only liability asserted against a director in an action, suit, or proceeding referred to in division (E)(1) or (2) of this section is pursuant to section 1701.95 of the Revised Code, expenses, including attorney s fees, incurred by a director in defending the action, suit, or proceeding shall be paid by the corporation as they are incurred, in advance of the final disposition of the action, suit, or proceeding, upon receipt of an undertaking by or on behalf of the director in which he agrees to do both of the following:

(i) Repay such amount if it is proved by clear and convincing evidence in a court of competent jurisdiction that his action or failure to act involved an act or omission undertaken with deliberate intent to cause injury to the corporation or undertaken with reckless disregard for the best interests of the corporation;

(ii) Reasonably cooperate with the corporation concerning the action, suit, or proceeding.

(b) Expenses, including attorney s fees, incurred by a director, trustee, officer, employee, member, manager, or agent in defending any action, suit, or proceeding referred to in division (E)(1) or (2) of this section, may be paid by the corporation as they are incurred, in advance of the final disposition of the action, suit, or proceeding, as authorized by the directors in the specific case, upon receipt of an undertaking by or on behalf of the director, trustee, officer, employee, member, manager, or agent to repay such amount, if it ultimately is determined that he is not entitled to be indemnified by the corporation.

(6) The indemnification authorized by this section shall not be exclusive of, and shall be in addition to, any other rights granted to those seeking indemnification under the articles, the regulations, any agreement, a vote of shareholders or disinterested directors, or otherwise, both as to action in their official capacities and as to action in another capacity while holding their offices or positions, and shall continue as to a person who has ceased to be a director, trustee, officer, employee, member, manager, or agent and shall inure to the benefit of the heirs, executors, and administrators of such a person.

(7) A corporation may purchase and maintain insurance or furnish similar protection, including, but not limited to, trust funds, letters of credit, or self-insurance, on behalf of or for any person who is or was a director, officer, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, trustee, officer, employee, member, manager, or agent of another corporation, domestic or foreign, nonprofit or for profit, a limited liability company, or a partnership, joint venture, trust, or other enterprise, against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability under this section. Insurance may be purchased from or maintained with a person in which the corporation has a financial interest.

Table of Contents

(8) The authority of a corporation to indemnify persons pursuant to division (E)(1) or (2) of this section does not limit the payment of expenses as they are incurred, indemnification, insurance, or other protection that may be provided pursuant to divisions (E)(5), (6), and (7) of this section. Divisions (E)(1) and (2) of this section do not create any obligation to repay or return payments made by the corporation pursuant to division (E)(5), (6), or (7).

(9) As used in division (E) of this section, corporation includes all constituent entities in a consolidation or merger and the new or surviving corporation, so that any person who is or was a director, officer, employee, trustee, member, manager, or agent of such a constituent entity, or is or was serving at the request of such constituent entity as a director, trustee, officer, employee, member, manager, or agent of another corporation, domestic or foreign, nonprofit or for profit, a limited liability company, or a partnership, joint venture, trust, or other enterprise, shall stand in the same position under this section with respect to the new or surviving corporation as he would if he had served the new or surviving corporation in the same capacity.

In addition, Retail Ventures has purchased insurance coverage under a policy which insures directors and officers against certain liabilities which might be incurred by them in such capacities.

Retail Ventures has also entered into indemnification agreements with its directors and officers, the forms of which were included as (i) Exhibit 10.7 to Amendment No. 1 to Form S-1 Registration Statement (file no. 33-40214) filed June 6, 1991, (ii) Exhibit 10.6 to Form S-8 Registration Statement (file no. 333-117341) filed July 13, 2004, and (iii) Exhibit 10.1 to Form 8-K filed December 23, 2005, and are incorporated herein by reference.

Reference is also made to the Underwriting Agreement filed as Exhibit 1.1 to this Registration Statement for information concerning the underwriters obligation to indemnify us and our officers and directors in certain circumstances.

Item 16. ***Exhibits.***

1.1	Form of Underwriting Agreement.*
4.1	Form of Mandatorily Exchangeable Notes Due 2011 (included in Exhibit 4.2).*
4.2	Form of Indenture.*
4.3	Form of Collateral Agreement.*
4.4	Exchange Agreement, dated July 5, 2005, between Retail Ventures, Inc. and DSW Inc. Incorporated by reference to Exhibit 10.4 on Form 8-K (file no. 1-10767) filed July 11, 2005.
4.5	Form of Exchange Request by Retail Ventures, Inc. to DSW Inc.*
5.1	Opinion of Vorys, Sater, Seymour and Pease LLP.*
5.2	Opinion of Skadden, Arps, Slate, Meagher & Flom LLP.*
8.2	Form of Tax Opinion of Skadden, Arps, Slate, Meagher & Flom LLP.*
12.1	Ratio of Earnings to Fixed Charges.
23.1	Consent of Deloitte & Touche LLP.*
23.2	Consent of Vorys, Sater, Seymour and Pease LLP (included in Exhibit 5.1).*
23.3	Consent of Skadden, Arps, Slate, Meagher & Flom LLP (included in Exhibit 5.2 and Exhibit 8.2).*
24.1	Power of Attorney.
25.1	Statement of Eligibility of Trustee on Form T-1.*

* Filed herewith.
Previously filed.

Table of Contents

Item 17. ***Undertakings.***

(a) The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant s annual report pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan s annual report pursuant to section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions described in Item 15 herein, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

(c) The undersigned registrant hereby undertakes to deliver or cause to be delivered with the prospectus, to each person to whom the prospectus is sent or given, the latest annual report to security holders that is incorporated by reference in the prospectus and furnished pursuant to and meeting the requirements of Rule 14a-3 or Rule 14c-3 under the Securities Exchange Act of 1934; and, where interim financial information required to be presented by Article 3 of Regulation S-X are not set forth in the prospectus, to deliver, or cause to be delivered to each person to whom the prospectus is sent or given, the latest quarterly report that is specifically incorporated by reference in the prospectus to provide such interim financial information.

(d) The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this Registration Statement on Form S-3 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Columbus, State of Ohio, on July 14, 2006.

RETAIL VENTURES, INC.
By: /s/ James A. McGrady

James A. McGrady
Executive Vice President, Chief Financial Officer,
Treasurer and Secretary

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed below by the following persons in the capacities indicated on July 14, 2006:

Signature	Title
*	Chairman of the Board of Directors
Jay L. Schottenstein	
*	President and Chief Executive Officer (Principal Executive Officer) and Director
Heywood Wilansky	
/s/ James A. McGrady	Executive Vice President, Chief Financial Officer, Treasurer and Secretary (Principal Financial and Accounting Officer)
James A. McGrady	
*	Director
Henry L. Aaron	
*	Director
Ari Deshe	
*	Director
Jon P. Diamond	
*	Director
Elizabeth M. Eveillard	
*	Director
Lawrence J. Ring	

*	Director
Harvey L. Sonnenberg	
*	Director
James L. Weisman	

*By: /s/ James A. McGrady

James A. McGrady
Attorney-in-fact

Table of Contents

INDEX TO EXHIBITS

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25.1	Statement of Eligibility of Trustee on Form T-1.*

* Filed herewith.
Previously filed.

ly: 'Times New Roman', Times; color: #000000; background: #FFFFFF"> after making the distribution, the Fund meets applicable asset coverage requirements described under Rating Agency Guidelines and Asset Maintenance Requirements.

No full distribution will be declared or made on any series of the preferred shares for any dividend period, or part thereof, unless full cumulative distributions due through the most recent dividend payment dates therefor for all outstanding series of preferred shares of the Fund ranking on a parity with such series as to distributions have been or contemporaneously are declared and made. If full cumulative distributions due have not been made on all outstanding preferred shares of the Fund ranking on a parity with such series of preferred shares as to the payment of distributions, any distributions being paid on the preferred shares will be paid as nearly pro rata as possible in proportion to the respective amounts of distributions accumulated but unmade on each such series of preferred shares on the relevant dividend payment date. The Fund s obligation

Table of Contents

to make distributions on the preferred shares will be subordinate to its obligations to pay interest and principal, when due, on any of the Fund s senior securities representing debt.

Redemption

Mandatory Redemption Relating to Asset Coverage Requirements. The Fund may, at its option, consistent with its Governing Documents and the 1940 Act, and in certain circumstances will be required to, mandatorily redeem preferred shares in the event that:

the Fund fails to maintain the asset coverage requirements specified under the 1940 Act on a quarterly valuation date and such failure is not cured on or before 60 days, in the case of the Fixed Rate Preferred Shares, or 10 business days, in the case of the Variable Rate Preferred Shares, following such failure; or

the Fund fails to maintain the asset coverage requirements as calculated in accordance with the applicable rating agency guidelines as of any monthly valuation date, and such failure is not cured on or before 10 business days after such valuation date.

The redemption price for preferred shares subject to mandatory redemption will be the liquidation preference, as stated in the Prospectus Supplement accompanying the issuance of such preferred shares, plus an amount equal to any accumulated but unpaid distributions (whether or not earned or declared) to the date fixed for redemption, plus (in the case of Variable Rate Preferred Shares having a dividend period of more than one year) any applicable redemption premium determined by the Board of Trustees and included in the Statement of Preferences.

The number of preferred shares that will be redeemed in the case of a mandatory redemption will equal the minimum number of outstanding preferred shares, the redemption of which, if such redemption had occurred immediately prior to the opening of business on the applicable cure date, would have resulted in the relevant asset coverage requirement having been met or, if the required asset coverage cannot be so restored, all of the preferred shares. In the event that preferred shares are redeemed due to a failure to satisfy the 1940 Act asset coverage requirements, the Fund may, but is not required to, redeem a sufficient number of preferred shares so that the Fund s assets exceed the asset coverage requirements under the 1940 Act after the redemption by 10% (that is, 220% asset coverage). In the event that preferred shares are redeemed due to a failure to satisfy applicable rating agency guidelines, the Fund may, but is not required to, redeem a sufficient number of preferred shares so that the Fund s discounted portfolio value (as determined in accordance with the applicable rating agency guidelines) after redemption exceeds the asset coverage requirements of each applicable rating agency by up to 10% (that is, 110% rating agency asset coverage). In addition, as discussed under Optional Redemption of the Preferred Shares below, the Fund generally may redeem Variable Rate Preferred Shares subject to a variable rate, in whole or in part, at its option at any time (usually on a dividend or distribution payment date), other than during a non-call period.

If the Fund does not have funds legally available for the redemption of, or is otherwise unable to redeem, all the preferred shares to be redeemed on any redemption date, the Fund will redeem on such redemption date that number of shares for which it has legally available funds, or is otherwise able to redeem, from the holders whose shares are to be redeemed ratably on the basis of the redemption price of such shares, and the remainder of those shares to be redeemed will be redeemed on the earliest practicable date on which the Fund will have funds legally available for the redemption of, or is otherwise able to redeem, such shares upon written notice of redemption.

If fewer than all of the Fund s outstanding preferred shares are to be redeemed, the Fund, at its discretion and subject to the limitations of its Governing Documents and the 1940 Act, will select the one or more series of preferred shares from which shares will be redeemed and the amount of preferred shares to be redeemed from each such series. If less than all preferred shares of a series are to be redeemed, such redemption will be made as among the holders of that

series pro rata in accordance with the respective number of shares of such series held by each such holder on the record date for such redemption (or by such other equitable method as

Table of Contents

the Fund may determine). If fewer than all the preferred shares held by any holder are to be redeemed, the notice of redemption mailed to such holder will specify the number of shares to be redeemed from such holder, which may be expressed as a percentage of shares held on the applicable record date.

Optional Redemption of Fixed Rate Preferred Shares. Fixed Rate Preferred Shares will not be subject to optional redemption by the Fund until the date, if any, specified in the applicable Prospectus Supplement, unless such redemption is necessary, in the judgment of the Fund, to maintain the Fund s status as a regulated investment company under the Code. Commencing on such date and thereafter, the Trust may at any time redeem such Fixed Rate Preferred Shares in whole or in part for cash at a redemption price per share equal to the initial liquidation preference per share plus accumulated and unpaid distributions (whether or not earned or declared) to the redemption date. Such redemptions are subject to the notice requirements set forth under Redemption Procedures and the limitations of the Governing Documents and 1940 Act.

Optional Redemption of Variable Rate Preferred Shares. The Fund generally may redeem Variable Rate Preferred Shares, if issued, in whole or in part, at its option at any time (usually on a dividend or distribution payment date), other than during a non-call period. The Fund may designate a non-call period during a dividend period of more than seven days. In the case of such preferred shares having a dividend period of one year or less, the redemption price per share will equal the initial liquidation preference plus an amount equal to any accumulated but unpaid distributions thereon (whether or not earned or declared) to the redemption date, and in the case of such Preferred Shares having a dividend period of more than one year, the redemption price per share will equal the initial liquidation preference plus any redemption premium applicable during such dividend period. Such redemptions are subject to the notice requirements set forth under Redemption Procedures and the limitations of the Governing Documents and 1940 Act.

Redemption Procedures. A notice of redemption with respect to an optional redemption will be given to the holders of record of preferred shares selected for redemption not less than 15 days (subject to NYSE Amex requirements), in the case of Fixed Rate Preferred Shares, and not less than seven days in the case of Variable Rate Preferred Shares, nor, in both cases, more than 40 days prior to the date fixed for redemption. Preferred shareholders may receive shorter notice in the event of a mandatory redemption. Each notice of redemption will state (i) the redemption date, (ii) the number or percentage of preferred shares to be redeemed (which may be expressed as a percentage of such shares outstanding), (iii) the CUSIP number(s) of such shares, (iv) the redemption price (specifying the amount of accumulated distributions to be included therein), (v) the place or places where such shares are to be redeemed, (vi) that distributions on the shares to be redeemed will cease to accumulate on such redemption date, (vii) the provision of the Statement of Preferences, as applicable, under which the redemption is being made and (viii) any conditions precedent to such redemption. No defect in the notice of redemption or in the mailing thereof will affect the validity of the redemption proceedings, except as required by applicable law.

The holders of any preferred shares, whether subject to a variable or fixed rate, will not have the right to redeem any of their shares at their option.

Liquidation Preference. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Fund, the holders of preferred shares will be entitled to receive a preferential liquidating distribution, which is expected to equal the original purchase price per preferred share plus accumulated and unpaid dividends, whether or not declared, before any distribution of assets is made to holders of common shares. After payment of the full amount of the liquidating distribution to which they are entitled, the holders of preferred shares will not be entitled to any further participation in any distribution of assets by the Fund.

Voting Rights. The 1940 Act requires that the holders of any preferred shares, voting separately as a single class, have the right to elect at least two Trustees at all times. The remaining Trustees will be elected by holders of common shares and preferred shares, voting together as a single class. In addition, subject to the prior rights, if any, of the

holders of any other class of senior securities outstanding, the holders of any preferred shares have the right to elect a majority of the Trustees at any time two years dividends on any preferred shares are unpaid. The 1940 Act also requires that, in addition to any approval by shareholders that

Table of Contents

might otherwise be required, the approval of the holders of a majority of any outstanding preferred shares, voting separately as a class, would be required to (i) adopt any plan of reorganization that would adversely affect the preferred shares, and (ii) take any action requiring a vote of security holders under Section 13(a) of the 1940 Act, including, among other things, changes in the Fund s subclassification as a closed-end investment company to an open-end company or changes in its fundamental investment restrictions. As a result of these voting rights, the Fund s ability to take any such actions may be impeded to the extent that there are any preferred shares outstanding. The Board of Trustees presently intends that, except as otherwise indicated in this prospectus and except as otherwise required by applicable law, holders of preferred shares will have equal voting rights with holders of common shares (one vote per share, unless otherwise required by the 1940 Act) and will vote together with holders of common shares as a single class.

The affirmative vote of the holders of a majority of the outstanding preferred shares, voting as a separate class, will be required to amend, alter or repeal any of the preferences, rights or powers of holders of preferred shares so as to affect materially and adversely such preferences, rights or powers, or to increase or decrease the authorized number of preferred shares. The class vote of holders of preferred shares described above will in each case be in addition to any other vote required to authorize the action in question.

The foregoing voting provisions will not apply to any preferred shares if, at or prior to the time when the act with respect to which such vote otherwise would be required will be effected, such shares will have been redeemed or called for redemption and sufficient cash or cash equivalents provided to the applicable paying agent to effect such redemption.

Book Entry. Fixed Rate Preferred Shares will initially be held in the name of Cede & Co. as nominee for DTC. The Fund will treat Cede & Co. as the holder of record of preferred shares for all purposes. In accordance with the procedures of DTC, however, purchasers of Fixed Rate Preferred Shares will be deemed the beneficial owners of stock purchased for purposes of dividends, voting and liquidation rights.

Variable Rate Preferred Shares will initially be held by the auction agent as custodian for Cede & Co., in whose name the Variable Rate Preferred Shares will be registered. The Fund will treat Cede & Co. as the holder of record of the Variable Rate Preferred Shares for all purposes.

ANTI-TAKEOVER PROVISIONS OF THE FUND S GOVERNING DOCUMENTS

The Fund presently has provisions in its Governing Documents which could have the effect of limiting, in each case, (i) the ability of other entities or persons to acquire control of the Fund, (ii) the Fund s freedom to engage in certain transactions or (iii) the ability of the Fund s Trustees or shareholders to amend the Governing Documents or effectuate changes in the Fund s management. These provisions of the Governing Documents of the Fund may be regarded as anti-takeover provisions. The Board of Trustees of the Fund is divided into three classes, each having a term of no more than three years (except, to ensure that the term of a class of the Fund s Trustees expires each year, one class of the Fund s Trustees will serve an initial one-year term and three-year terms thereafter and another class of its Trustees will serve an initial two-year term and three-year terms thereafter). Each year the term of one class of Trustees will expire. Accordingly, only those Trustees in one class may be changed in any one year, and it would require a minimum of two years to change a majority of the Board of Trustees. Such system of electing Trustees may have the effect of maintaining the continuity of management and, thus, make it more difficult for the shareholders of the Fund to change the majority of Trustees. See Management of the Fund Trustees and Officers in the SAI. A trustee of the Fund may be removed with or without cause by two-thirds of the remaining Trustees and, without cause, by 66 2 / 3% of the votes entitled to be cast for the election of such Trustees. Special voting requirements of 75% of the outstanding voting shares (in addition to any required class votes) apply to certain mergers or a sale of all or substantially all of the Fund s assets, liquidation, conversion of the Fund into an open-end fund or interval fund and amendments to several

provisions of the Declaration of Trust, including the foregoing provisions. In addition, after completion of the offering, 80% of the holders of the outstanding

Table of Contents

voting securities of the Fund voting as a class is generally required in order to authorize any of the following transactions:

merger or consolidation of the Fund with or into any other entity;

issuance of any securities of the Fund to any person or entity for cash, other than pursuant to the Dividend and Reinvestment Plan or any offering if such person or entity acquires no greater percentage of the securities offered than the percentage beneficially owned by such person or entity immediately prior to such offering or, in the case of a class or series not then beneficially owned by such person or entity, the percentage of common shares beneficially owned by such person or entity immediately prior to such offering;

sale, lease or exchange of all or any substantial part of the assets of the Fund to any entity or person (except assets having an aggregate fair market value of less than $5,000,000);

sale, lease or exchange to the Fund, in exchange for securities of the Fund, of any assets of any entity or person (except assets having an aggregate fair market value of less than $5,000,000); or

the purchase of the Fund s common shares by the Fund from any person or entity other than pursuant to a tender offer equally available to other shareholders in which such person or entity tenders no greater percentage of common shares than are tendered by all other shareholders; if such person or entity is directly, or indirectly through affiliates, the beneficial owner of more than 5% of the outstanding shares of the Fund.

However, such vote would not be required when, under certain conditions, the Board of Trustees approves the transaction.

In addition, shareholders have no authority to adopt, amend or repeal By-Laws. The Board of Trustees has authority to adopt, amend and repeal By-Laws consistent with the Declaration of Trust (including to require approval by the holders of a majority of the outstanding shares for the election of Trustees).

The provisions of the Governing Documents described above could have the effect of depriving the owners of shares in the Fund of opportunities to sell their shares at a premium over prevailing market prices, by discouraging a third party from seeking to obtain control of the Fund in a tender offer or similar transaction. The overall effect of these provisions is to render more difficult the accomplishment of a merger or the assumption of control by a principal shareholder.

The Governing Documents of the Fund are on file with the SEC. For access to the full text of these provisions, see Additional Information.

CLOSED-END FUND STRUCTURE

The Fund is a non-diversified, closed-end management investment company (commonly referred to as a closed-end fund). Closed-end funds differ from open-end funds (which are generally referred to as mutual funds) in that closed-end funds generally list their shares for trading on a stock exchange and do not redeem their shares at the request of the shareholder. This means that if you wish to sell your shares of a closed-end fund you must trade them on the market like any other stock at the prevailing market price at that time. In a mutual fund, if the shareholder wishes to sell shares of the fund, the mutual fund will redeem or buy back the shares at net asset value. Also, mutual funds generally offer new shares on a continuous basis to new investors, and closed-end funds generally do not. The continuous inflows and outflows of assets in a mutual fund can make it difficult to manage the fund s investments. By comparison, closed-end funds are generally able to stay more fully invested in securities that are consistent with their

investment objectives, to have greater flexibility to make certain types of investments and to use certain investment strategies such as financial leverage and investments in illiquid securities.

Shares of closed-end funds often trade at a discount to their net asset value. Because of this possibility and the recognition that any such discount may not be in the interest of shareholders, the Fund s Board of

Table of Contents

Trustees might consider from time to time engaging in open-market repurchases, tender offers for shares or other programs intended to reduce a discount. We cannot guarantee or assure, however, that the Fund s Board of Trustees will decide to engage in any of these actions. Nor is there any guarantee or assurance that such actions, if undertaken, would result in the shares trading at a price equal or close to net asset value per share. The Board of Trustees might also consider converting the Fund to an open-end mutual fund, which would also require a supermajority vote of the shareholders of the Fund and a separate vote of any outstanding preferred shares. We cannot assure you that the Fund s common shares will not trade at a discount.

REPURCHASE OF COMMON SHARES

The Fund is a non-diversified, closed-end management investment company and as such its shareholders do not, and will not, have the right to require the Fund to repurchase their shares. The Fund, however, may repurchase its common shares from time to time as and when it deems such a repurchase advisable. The Board of Trustees has authorized such repurchases to be made when the Fund s common shares are trading at a discount from net asset value of 7.5% or more (or such other percentage as the Board of Trustees of the Fund may determine from time to time). Although the Board of Trustees has authorized such repurchases, the Fund is not required to repurchase its common shares. The Board of Trustees has not established a limit on the number of shares that could be purchased during such period. Pursuant to the 1940 Act, the Fund may repurchase its common shares on a securities exchange (provided that the Fund has informed its shareholders within the preceding six months of its intention to repurchase such shares) or pursuant to tenders and may also repurchase shares privately if the Fund meets certain conditions regarding, among other things, distribution of net income for the preceding fiscal year, status of the seller, price paid, brokerage commissions, prior notice to shareholders of an intention to purchase shares and purchasing in a manner and on a basis that does not discriminate unfairly against the other shareholders through their interest in the Fund.

When the Fund repurchases its common shares for a price below net asset value, the net asset value of the common shares that remain outstanding shares will be enhanced, but this does not necessarily mean that the market price of the outstanding common shares will be affected, either positively or negatively. The repurchase of common shares will reduce the total assets of the Fund available for investment and may increase the Fund s expense ratio.

NET ASSET VALUE

For purposes of determining the Fund s net asset value per share, portfolio securities listed or traded on a nationally recognized securities exchange or traded in the U.S. over-the-counter market for which market quotations are readily available are valued at the last quoted sale price or a market s official closing price as of the close of business on the day the securities are being valued. If there were no sales that day, the security is valued at the average of the closing bid and asked prices, or, if there were no asked prices quoted on such day, the security is valued at the most recently available price or, if the Board of Trustees so determines, by such other method as the Board of Trustees shall determine in good faith, to reflect its fair market value. Portfolio securities traded on more than one national securities exchange or market are valued according to the broadest and most representative market, as determined by the Investment Adviser.

Portfolio securities primarily traded on foreign markets are generally valued at the preceding closing values of such securities on the relevant market, but may be fair valued pursuant to procedures established by the Board of Trustees if market conditions change significantly after the close of the foreign market but prior to the close of business on the day the securities are being valued. Debt instruments with remaining maturities of 60 days or less that are not credit impaired are valued at amortized cost, unless the Board of Trustees determines such amount does not reflect the securities fair value, in which case these securities will be fair valued by or under the direction of the Board of Trustees. Debt instruments having a maturity greater than 60 days for which market quotations are readily available are valued at the average of the latest bid and asked prices. If there were no asked prices quoted on such day, the

security is valued using the closing bid price.

Table of Contents

Futures contracts are valued at the closing settlement price of the exchange or board of trade on which the applicable contract is traded.

Securities and assets for which market quotations are not readily available are valued at their fair value as determined in good faith under procedures established by and under the general supervision of the Board of Trustees. Fair valuation methodologies and procedures may include, but are not limited to: analysis and review of available financial and non-financial information about the company; comparisons to the valuation and changes in valuation of similar securities, including a comparison of foreign securities to the equivalent U.S. dollar value ADR securities at the close of the U.S. exchange; and evaluation of any other information that could be indicative of the value of the security.

The Fund obtains valuations on the basis of prices provided by a pricing service approved by the Board of Trustees. All other investment assets, including restricted and not readily marketable securities, are valued in good faith at fair value under procedures established by and under the general supervision and responsibility of the Fund s Board of Trustees.

In addition, whenever developments in one or more securities markets after the close of the principal markets for one or more portfolio securities and before the time as of which the Fund determines its net asset value would, if such developments had been reflected in such principal markets, likely have more than a minimal effect on the Fund s net asset value per share, the Fund may fair value such portfolio securities based on available market information as of the time the Fund determines its net asset value.

NYSE Amex Closings. The holidays (as observed) on which the NYSE Amex is closed, and therefore days upon which shareholders cannot purchase or sell shares, currently are: New Year s Day, Martin Luther King, Jr. Day, Presidents Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day and on the preceding Friday or subsequent Monday when a holiday falls on a Saturday or Sunday, respectively.

TAXATION

The following discussion is a brief summary of certain U.S. federal income tax considerations affecting the Fund and the purchase, ownership and disposition of the Fund s shares. A more complete discussion of the tax rules applicable to the Fund and its shareholders can be found in the SAI that is incorporated by reference into this prospectus. This discussion assumes you are a U.S. person and that you hold your shares as capital assets. This discussion is based upon current provisions of the Code, the regulations promulgated thereunder and judicial and administrative authorities, all of which are subject to change or differing interpretations by the courts or the Internal Revenue Service (the IRS), possibly with retroactive effect. No ruling has been or will be sought from the IRS regarding any matter discussed herein. Counsel to the Fund has not rendered and will not render any legal opinion regarding any tax consequences relating to the Fund or an investment in the Fund. No attempt is made to present a detailed explanation of all U.S. federal tax concerns affecting the Fund and its shareholders (including shareholders owning large positions in the Fund).

The discussion set forth herein does not constitute tax advice and potential investors are urged to consult their own tax advisers to determine the tax consequences to them of investing in the Fund.

Taxation of the Fund

The Fund has elected to be treated and has qualified, and intends to continue to qualify annually, as a regulated investment company under Subchapter M of the Code. Accordingly, the Fund must, among other things, meet the following requirements regarding the source of its income and the diversification of its assets:

(i) The Fund must derive in each taxable year at least 90% of its gross income from the following sources, which are referred to herein as Qualifying Income : (a) dividends, interest (including tax-exempt interest), payments with respect to certain securities loans, and gains from the sale or other disposition of stock, securities or foreign currencies, or other income (including but not limited to gain

Table of Contents

from options, futures and forward contracts) derived with respect to its business of investing in such stock, securities or foreign currencies; and (b) interests in publicly traded partnerships that are treated as partnerships for U.S. federal income tax purposes and that derive less than 90% of their gross income from the items described in (a) above (each a Qualified Publicly Traded Partnership).

(ii) The Fund must diversify its holdings so that, at the end of each quarter of each taxable year (a) at least 50% of the market value of the Fund s total assets is represented by cash and cash items, U.S. government securities, the securities of other regulated investment companies and other securities, with such other securities limited, in respect of any one issuer, to an amount not greater than 5% of the value of the Fund s total assets and not more than 10% of the outstanding voting securities of such issuer and (b) not more than 25% of the market value of the Fund s total assets is invested in the securities (other than U.S. government securities and the securities of other regulated investment companies) of (I) any one issuer, (II) any two or more issuers that the Fund controls and that are determined to be engaged in the same business or similar or related trades or businesses or (III) any one or more Qualified Publicly Traded Partnerships.

Income from the Fund s investments in grantor trusts and equity interest of MLPs that are not Qualified Publicly Traded Partnerships (if any) will be Qualifying Income to the extent it is attributable to items of income of such trust or MLP that would be Qualifying Income if earned directly by the Fund.

The Fund s investments in partnerships, including in Qualified Publicly Traded Partnerships, may result in the Fund being subject to state, local or foreign income, franchise or withholding tax liabilities.

As a regulated investment company, the Fund generally will not be subject to U.S. federal income tax on income and gains that the Fund distributes to its shareholders, provided that it distributes each taxable year at least the sum of (i) 90% of the Fund s investment company taxable income (which includes, among other items, dividends, interest and the excess of any net short-term capital gain over net long-term capital loss and other taxable income, other than any net long-term capital gain, reduced by deductible expenses) determined without regard to the deduction for dividends paid and (ii) 90% of the Fund s net tax-exempt interest income (the excess of its gross tax-exempt interest over certain disallowed deductions). The Fund intends to distribute substantially all of such income at least annually. The Fund will be subject to income tax at regular corporate rates on any taxable income or gains that it does not distribute to its shareholders.

The Code imposes a 4% nondeductible excise tax on the Fund to the extent the Fund does not distribute by the end of any calendar year an amount at least equal to the sum of (i) 98% of its ordinary income (not taking into account any capital gain or loss) for the calendar year and (ii) 98% of its capital gain in excess of its capital loss (adjusted for certain ordinary losses) for a one-year period generally ending on October 31 of the calendar year (unless an election is made to use the Fund s fiscal year). In addition, the minimum amounts that must be distributed in any year to avoid the excise tax will be increased or decreased to reflect any under-distribution or over-distribution, as the case may be, from the previous year. While the Fund intends to distribute any income and capital gain in the manner necessary to minimize imposition of the 4% excise tax, there can be no assurance that sufficient amounts of the Fund s taxable income and capital gain will be distributed to entirely avoid the imposition of the excise tax. In that event, the Fund will be liable for the excise tax only on the amount by which it does not meet the foregoing distribution requirement.

If for any taxable year the Fund does not qualify as a regulated investment company, all of its taxable income (including its net capital gain) will be subject to tax at regular corporate rates without any deduction for distributions to shareholders.

Taxation of Shareholders

Distributions paid to you by the Fund from its net realized long-term capital gains, if any, that the Fund designates as capital gains dividends (capital gain dividends) are taxable as long-term capital gains, regardless of how long you have held your common shares. All other dividends paid to you by the Fund

Table of Contents

(including dividends from short-term capital gains) from its current or accumulated earnings and profits (ordinary income dividends) are generally subject to tax as ordinary income.

Special rules apply, however, to ordinary income dividends paid to individuals with respect to taxable years beginning on or before December 31, 2010. If you are an individual, any such ordinary income dividend that you receive from the Fund generally will be eligible for taxation at the Federal rates applicable to long-term capital gains (currently at a maximum rate of 15%) to the extent that (i) the ordinary income dividend is attributable to qualified dividend income (i.e., generally dividends paid by U.S. corporations and certain foreign corporations) received by the Fund, (ii) the Fund satisfies certain holding period and other requirements with respect to the stock on which such qualified dividend income was paid and (iii) you satisfy certain holding period and other requirements with respect to your common shares. There can be no assurance as to what portion of the Fund s ordinary income dividends will constitute qualified dividend income.

Any distributions you receive that are in excess of the Fund s current or accumulated earnings and profits will be treated as a tax-free return of capital to the extent of your adjusted tax basis in your common shares, and thereafter as capital gain from the sale of common shares. The amount of any Fund distribution that is treated as a tax-free return of capital will reduce your adjusted tax basis in your common shares, thereby increasing your potential gain or reducing your potential loss on any subsequent sale or other disposition of your common shares.

Dividends and other taxable distributions are taxable to you even though they are reinvested in additional common shares of the Fund. Dividends and other distributions paid by the Fund are generally treated under the Code as received by you at the time the dividend or distribution is made. If, however, the Fund pays you a dividend in January that was declared in the previous October, November or December and you were the shareholder of record on a specified date in one of such months, then such dividend will be treated for tax purposes as being paid by the Fund and received by you on December 31 of the year in which the dividend was declared.

The Fund will send you information after the end of each year setting forth the amount and tax status of any distributions paid to you by the Fund.

The sale or other disposition of common shares of the Fund will generally result in capital gain or loss to you, and will be long-term capital gain or loss if you have held such common shares for more than one year at the time of sale. Any loss upon the sale or exchange of common shares held for six months or less will be treated as long-term capital loss to the extent of any capital gain dividends received (including amounts credited as an undistributed capital gain dividend) by you with respect to such common shares. Any loss you realize on a sale or exchange of common shares will be disallowed if you acquire other common shares (whether through the automatic reinvestment of dividends or otherwise) within a 61-day period beginning 30 days before and ending 30 days after your sale or exchange of the common shares. In such case, your tax basis in the common shares acquired will be adjusted to reflect the disallowed loss.

The Fund may be required to withhold, for U.S. federal backup withholding tax purposes, a portion of the dividends, distributions and redemption proceeds payable to shareholders who fail to provide the Fund (or its agent) with their correct taxpayer identification number (in the case of individuals, generally, their social security number) or to make required certifications, or who have been notified by the IRS that they are subject to backup withholding. Certain shareholders are exempt from backup withholding. Backup withholding is not an additional tax and any amount withheld may be refunded or credited against your U.S. federal income tax liability, if any, provided that you furnish the required information to the IRS.

CUSTODIAN, TRANSFER AGENT AND DIVIDEND DISBURSING AGENT

Mellon, located at 135 Santilli Highway, Everett, Massachusetts 02149, serves as the Custodian of the Fund s assets pursuant to a custody agreement. Under the custody agreement, the Custodian holds the Fund s assets in compliance with the 1940 Act. For its services, the Custodian will receive a monthly fee paid by the

Table of Contents

Fund based upon, among other things, the average value of the total assets of the Fund, plus certain charges for securities transactions and out-of-pocket expenses.

American Stock Transfer, located at 59 Maiden Lane, New York, New York 10038, serves as the Fund s dividend disbursing agent, as agent under the Fund s Plan and as transfer agent and registrar for the common shares of the Fund.

PLAN OF DISTRIBUTION

We may sell the shares, being offered hereby in one or more of the following ways from time to time:

to underwriters or dealers for resale to the public or to institutional investors;

directly to institutional investors;

directly to a limited number of purchasers or to a single purchaser;

through agents to the public or to institutional investors; or

through a combination of any of these methods of sale.

The prospectus supplement with respect to each series of securities will state the terms of the offering of the securities, including:

the offering terms, including the name or names of any underwriters, dealers or agents;

the purchase price of the securities and the net proceeds to be received by us from the sale;

any underwriting discounts or agency fees and other items constituting underwriters or agents compensation, which compensation for any sale will in no event exceed 8% of the sales price;

any initial public offering price;

any discounts or concessions allowed or reallowed or paid to dealers; and

any securities exchange on which the securities may be listed.

If we use underwriters or dealers in the sale, the securities will be acquired by the underwriters or dealers for their own account and may be resold from time to time in one or more transactions, including;

negotiated transactions;

at a fixed public offering price or prices, which may be changed;

at market prices prevailing at the time of sale;

at prices related to prevailing market prices; or

at negotiated prices.

Any initial public offering price and any discounts or concessions allowed or reallowed or paid to dealers may be changed from time to time.

If underwriters are used in the sale of any securities, the securities may be either offered to the public through underwriting syndicates represented by managing underwriters, or directly by underwriters. Generally, the underwriters obligations to purchase the securities will be subject to certain conditions precedent. The underwriters will be obligated to purchase all of the securities if they purchase any of the securities.

If indicated in an applicable prospectus supplement, we may sell the securities through agents from time to time. The applicable prospectus supplement will name any agent involved in the offer or sale of the securities and any commissions we pay to them. Commissions for any sale will in no event exceed 8% of the sales price. Generally, any agent will be acting on a best efforts basis for the period of its appointment. We may authorize underwriters, dealers or agents to solicit offers by certain purchasers to purchase the securities

Table of Contents

from us at the public offering price set forth in the applicable prospectus supplement pursuant to delayed delivery contracts providing for payment and delivery on a specified date in the future. The delayed delivery contracts will be subject only to those conditions set forth in the applicable prospectus supplement, and the applicable prospectus supplement will set forth any commissions we pay for solicitation of these delayed delivery contracts.

Offered securities may also be offered and sold, if so indicated in the applicable prospectus supplement, in connection with a remarketing upon their purchase, in accordance with a redemption or repayment pursuant to their terms, or otherwise, by one or more remarketing firms, acting as principals for their own accounts or as agents for us. Any remarketing firm will be identified and the terms of its agreements, if any, with us and its compensation will be described in the applicable prospectus supplement.

Agents, underwriters and other third parties described above may be entitled to indemnification by us against certain civil liabilities under the Securities Act, or to contribution with respect to payments which the agents or underwriters may be required to make in respect thereof. Agents, underwriters and such other third parties may be customers of, engage in transactions with, or perform services for us in the ordinary course of business.

Each series of securities will be a new issue of securities and will have no established trading market other than our common shares and Preferred Shares, which are listed on the NYSE Amex. Any common shares sold will be listed on NYSE Amex, upon official notice of issuance. The securities, other than the common shares, may or may not be listed on a national securities exchange. Any underwriters to whom securities are sold by us for public offering and sale may make a market in the securities, but such underwriters will not be obligated to do so and may discontinue any market making at any time without notice.

LEGAL MATTERS

Certain legal matters will be passed on by Skadden, Arps, Slate, Meagher & Flom LLP, counsel to the Fund in connection with the offering of the Fund s shares.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

PricewaterhouseCoopers LLP serves as the independent registered public accounting firm of the Fund and audits the financial statements of the Fund. PricewaterhouseCoopers LLP is located at 300 Madison Avenue, New York, New York 10017.

ADDITIONAL INFORMATION

The Fund is subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and the 1940 Act, and in accordance therewith files reports and other information with the SEC. Reports, proxy statements and other information filed by the Fund with the SEC pursuant to the informational requirements of such Acts can be inspected and copied at the public reference facilities maintained by the SEC, 100 F Street, N.E., Washington, D.C. 20549. The SEC maintains a web site at http://www.sec.gov containing reports, proxy and information statements and other information regarding registrants, including the Fund, that file electronically with the SEC.

The common shares are listed on the NYSE Amex under the symbol GGN. The Preferred Shares are listed on the NYSE Amex under the symbol GGN PrA. Reports, proxy statements and other information concerning the Fund and filed with the SEC by the Fund will be available for inspection at the NYSE Amex, 11 Wall Street, New York, New York, 10005.

This prospectus constitutes part of a Registration Statement filed by the Fund with the SEC under the Securities Act of 1933 and the 1940 Act. This prospectus omits certain of the information contained in the

Table of Contents

Registration Statement, and reference is hereby made to the Registration Statement and related exhibits for further information with respect to the Fund and the common shares offered hereby. Any statements contained herein concerning the provisions of any document are not necessarily complete, and, in each instance, reference is made to the copy of such document filed as an exhibit to the Registration Statement or otherwise filed with the SEC. Each such statement is qualified in its entirety by such reference. The complete Registration Statement may be obtained from the SEC upon payment of the fee prescribed by its rules and regulations or free of charge through the SEC s web site (http://www.sec.gov).

PRIVACY PRINCIPLES OF THE FUND

The Fund is committed to maintaining the privacy of its shareholders and to safeguarding their non-public personal information. The following information is provided to help you understand what personal information the Fund collects, how the Fund protects that information and why, in certain cases, the Fund may share information with select other parties.

Generally, the Fund does not receive any non-public personal information relating to its shareholders, although certain non-public personal information of its shareholders may become available to the Fund. The Fund does not disclose any non-public personal information about its shareholders or former shareholders to anyone, except as permitted by law or as is necessary in order to service shareholder accounts (for example, to a transfer agent or third party administrator).

The Fund restricts access to non-public personal information about its shareholders to employees of the Fund, the Investment Adviser, and its affiliates with a legitimate business need for the information. The Fund maintains physical, electronic and procedural safeguards designed to protect the non-public personal information of its shareholders.

Table of Contents

TABLE OF CONTENTS OF STATEMENT OF ADDITIONAL INFORMATION

An SAI dated as of April 8, 2010, has been filed with the SEC and is incorporated by reference in this prospectus. An SAI may be obtained without charge by writing to the Fund at its address at One Corporate Center, Rye, New York 10580-1422 or by calling the Fund toll-free at (800) GABELLI (422-3554). The Table of Contents of the SAI is as follows:

No person has been authorized to give any information or to make any representations in connection with this offering other than those contained in this Prospectus in connection with the offer contained herein, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Fund, the Investment Adviser or the underwriters. Neither the delivery of this Prospectus nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the Fund since the date hereof or that the information contained herein is correct as of any time subsequent to its date. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the securities to which it relates. This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy such securities in any circumstance in which such an offer or solicitation is unlawful.

Table of Contents

$350,000,000

Common Shares of Beneficial Interest
Preferred Shares of Beneficial Interest

PROSPECTUS

April 8, 2010

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 is not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

PROSPECTUS SUPPLEMENT
(To Prospectus dated , 2010)

Shares

The Gabelli Global Gold, Natural Resources & Income Trust

Common Shares of Beneficial Interest

We are offering for sale shares of our common shares. Our common shares are traded on the NYSE Amex LLC (the NYSE Amex) under the symbol GGN. Our 6.625% Series A cumulative Preferred Shares are listed on the NYSE Amex under the symbol GGN PrA. The last reported sale price for our common shares on , was $ per share. The net asset value of the Fund s common shares at the close of business on , 2010 was $ per share.

You should review the information set forth under Risk Factors and Special Considerations on page 23 of the accompanying Prospectus before investing in our common shares.

	Per Share	Total(1)
Public offering price	$	$
Underwriting discounts and commissions	$	$
Proceeds, before expenses, to us	$	$

(1) The aggregate expenses of the offering are estimated to be $, which represents approximately $ per share.

[The underwriters may also purchase up to an additional common shares from us at the public offering price, less underwriting discounts and commissions, to cover over-allotments, if any, within 30 days after the date of this Prospectus Supplement. If the over-allotment option is exercised in full, the total proceeds, before expenses, to the Fund would be $ and the total underwriting discounts and commissions would be $. The common shares will be ready for delivery on or about , .]

You should read this Prospectus Supplement and the accompanying Prospectus before deciding whether to invest in our common shares and retain it for future reference. The Prospectus Supplement and the accompanying Prospectus contain important information about us. Material that has been incorporated by reference and other information about us can be obtained from us by calling 1-800-GABELLI (422-3554) or from the Securities and Exchange Commission s (SEC) website (http://www.sec.gov).

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

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You should rely only on the information contained or incorporated by reference in this Prospectus Supplement and the accompanying Prospectus. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell these securities in any jurisdiction in which the offer or sale is not permitted.

In this Prospectus Supplement and in the accompanying Prospectus, unless otherwise indicated, Fund, us, our and we refer to The Gabelli Global Gold, Natural Resources & Income Trust. This Prospectus Supplement also includes trademarks owned by other persons.

Table of Contents

TABLE OF CONTENTS

Prospectus Supplement

Table of Contents

TABLE OF FEES AND EXPENSES

The following tables are intended to assist you in understanding the various costs and expenses directly or indirectly associated with investing in our common shares as a percentage of net assets attributable to common shares. Amounts are for the current fiscal year after giving effect to anticipated net proceeds of the offering, assuming that we incur the estimated offering expenses, including preferred share offering expenses.

Shareholder Transaction Expenses

Sales Load (as a percentage of offering price)	%
Offering Expenses Borne by the Fund (as a percentage of offering price)	%
Dividend Reinvestment Plan Fees	None(1)

	Percentage of Net Assets Attributable to Common Shares
Annual Expenses	
Management Fees	% (2)
Interest on Borrowed Funds	None
Other Expenses	% (2)
Total Annual Expenses	% (2)

(1) You will be charged a $1.00 service charge and pay brokerage charges if you direct the plan agent to sell your common shares held in a dividend reinvestment account.

(2) The Investment Adviser s fee is 1.00% annually of the Fund s average weekly net assets, with no deduction for the liquidation preference of any outstanding preferred shares. Consequently, in as much as the Fund has preferred shares outstanding, the investment management fees and other expenses as a percentage of net assets attributable to common shares are higher than if the Fund did not utilize a leveraged capital structure. Other Expenses are based on estimated amounts for the current year assuming completion of the proposed issuances.

Example

The following example illustrates the expenses you would pay on a $1,000 investment in common shares, assuming a 5% annual portfolio total return.*

	1 Year	**3 Years**	**5 Years**	**10 Years**
Total Expenses Incurred				

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

Table of Contents

USE OF PROCEEDS

We estimate the total net proceeds of the offering to be $ based on the public offering price of $ per share and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

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 objectives and policies as appropriate investment opportunities are identified.

PRICE RANGE OF COMMON SHARES

The following table sets forth for the quarters indicated, the high and low sale prices on the NYSE Amex per share of our common shares and the net asset value and the premium or discount from net asset value per share at which the common shares were trading, expressed as a percentage of net asset value, at each of the high and low sale prices provided.

	Market Price		Corresponding Net Asset Value (NAV) Per Share		Corresponding Premium or Discount as a % of NAV	
Quarter Ended	**High**	**Low**	**High**	**Low**	**High**	**Low**
March 31, 2005	$ 20.01	$ 20.00	$ 19.06	$ 19.06	4.98	4.93
June 30, 2005	20.05	18.03	19.06	18.68	5.19	–3.48
September 30, 2005	21.93	19.80	21.60	19.78	1.53	0.10
December 31, 2005	21.81	20.22	21.03	20.11	3.71	0.55
March 31, 2006	23.90	21.45	22.99	21.75	3.96	–1.38
June 30, 2006	23.93	19.98	24.56	20.62	–2.57	–3.10
September 30, 2006	22.89	21.15	23.90	21.40	–4.23	–1.17
December 31, 2006	24.77	21.00	24.14	21.11	2.61	–0.52
March 31, 2007	26.74	22.92	25.10	22.81	6.53	0.48
June 30, 2007	27.81	25.20	25.88	26.61	7.46	–5.30
September 30, 2007	28.30	21.71	28.22	22.91	0.28	–5.24
December 31, 2007	29.54	25.82	29.51	28.08	0.10	–8.05
March 31, 2008	30.87	25.90	31.69	27.76	–2.59	–6.70
June 30, 2008	30.61	26.30	33.50	29.29	–8.63	–10.21
September 30, 2008	30.30	19.62	32.13	19.65	–5.70	–0.14
December 31, 2008	19.99	7.90	18.53	7.32	7.88	7.92
March 31, 2009	16.45	12.21	10.54	9.69	56.07	26.01
June 30, 2009	15.95	12.80	14.38	10.95	10.92	16.90
September 30, 2009	15.83	12.56	15.30	12.01	3.46	4.58
December 31, 2009	17.14	14.96	16.14	14.44	6.20	3.60
March 31, 2010	17.84	15.26	15.93	14.49	11.99	5.31
June 30, 2010 (period from April 1, 2010 through , 2010)						

The last reported price for our common shares on , 2010 was $ per share. As of , 2010 the net asset value per share for our common shares was $ per share.

PLAN OF DISTRIBUTION

[To be provided.]

LEGAL MATTERS

Certain legal matters will be passed on by Skadden, Arps, Slate, Meagher & Flom LLP, New York, New York, counsel to the Fund in connection with the offering of the common shares.

Table of Contents

Common Shares of Beneficial Interest

PROSPECTUS SUPPLEMENT

, 2010

Table of Contents

Dated April 8, 2010

THE GABELLI GLOBAL GOLD, NATURAL RESOURCES & INCOME TRUST

STATEMENT OF ADDITIONAL INFORMATION

THE INFORMATION IN THIS STATEMENT OF ADDITIONAL INFORMATION 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 STATEMENT OF ADDITIONAL INFORMATION IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

This Statement of Additional Information (the SAI) does not constitute a prospectus, but should be read in conjunction with the Fund s prospectus relating thereto dated April 8, 2010, and as it may be supplemented. This SAI does not include all information that a prospective investor should consider before investing in the Fund s common shares, and investors should obtain and read the Fund s prospectus prior to purchasing such shares. A copy of the Fund s Registration Statement, including the prospectus and any supplement, may be obtained from the Securities and Exchange Commission (the SEC) upon payment of the fee prescribed, or inspected at the SEC s office or via its website (www.sec.gov) at no charge.

The Gabelli Global Gold, Natural Resources & Income Trust, or 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 primary investment objective is to provide a high level of current income. The Fund s secondary investment objective is to seek capital appreciation consistent with the Fund s strategy and its primary objective. An investment in the Fund is not appropriate for all investors. We cannot assure you that the Fund s objectives will be achieved. Gabelli Funds, LLC serves as Investment Adviser to the Fund. See Management of the Fund.

Under normal market conditions, the Fund will attempt to achieve its objectives by investing at least 80% of its assets in equity securities of companies principally engaged in the gold industry and the natural resources industries. The Fund will invest at least 25% of its assets in the equity securities of companies principally engaged in the exploration, mining, fabrication, processing, distribution or trading of gold or the financing, managing, controlling or operating of companies engaged in gold-related activities. In addition, the Fund will invest at least 25% of its assets in the equity securities of companies principally engaged in the exploration, production or distribution of natural resources, such as gas, oil, paper, food and agriculture, forestry products, metals and minerals as well as related transportation companies and equipment manufacturers. The Fund may invest in the securities of companies located anywhere in the world. Under normal market conditions, the Fund will invest at least 40% of its assets in the securities of issuers located in at least three countries other than the U.S. As part of its investment strategy, the Fund intends to generate gains through an option strategy of writing (selling) covered call options on equity securities in its portfolio. When the Fund sells a covered call option, it generates gains in the form of the premium paid by the buyer of the call, but the Fund forgoes the opportunity to participate in any increase in the value of the underlying equity security above the exercise price of the option. See Investment Objectives and Policies.

Table of Contents

TABLE OF CONTENTS

Table of Contents

THE FUND

The Gabelli Global Gold, Natural Resources & Income Trust is a non-diversified, closed-end management investment company organized under the laws of the State of Delaware. The Fund s common shares of beneficial interest, par value $0.001 per share, are listed on the NYSE Amex LLC (the NYSE Amex) under the symbol GGN. Our 6.625% Series A Cumulative Preferred Shares are listed on the NYSE Amex under the symbol GGN PrA.

INVESTMENT OBJECTIVES AND POLICIES

Investment Objectives and Policies

The Fund s primary investment objective is to provide a high level of current income. The Fund s secondary investment objective is to seek capital appreciation consistent with the Fund s strategy and its primary objective.

Under normal market conditions, the Fund will attempt to achieve its objectives by investing at least 80% of its assets in equity securities of companies principally engaged in the gold industry and the natural resources industries. The Fund will invest at least 25% of its assets in the equity securities of companies principally engaged in the exploration, mining, fabrication, processing, distribution or trading of gold or the financing, managing, controlling or operating of companies engaged in gold-related activities (Gold Companies). In addition, the Fund will invest at least 25% of its assets in the equity securities of companies principally engaged in the exploration, production or distribution of natural resources, such as gas, oil, paper, food and agriculture, forestry products, metals and minerals as well as related transportation companies and equipment manufacturers (Natural Resources Companies). The Fund may invest in the securities of companies located anywhere in the world. Under normal market conditions, the Fund will invest at least 40% of its assets in the securities of issuers located in at least three countries other than the U.S.

Principally engaged, as used in this SAI, means a company that derives at least 50% of its revenues or earnings or devotes at least 50% of its assets to the indicated businesses. An issue will be treated as being located outside the U.S. if it is either organized or headquartered outside of the U.S. and has a substantial portion of its operations or sales outside the U.S. Equity securities may include common stocks, preferred stocks, convertible securities, warrants, depository receipts and equity interests in trusts and other entities. Other Fund investments may include investment companies, including exchange-traded funds, securities of issuers subject to reorganization or other risk arbitrage investments, derivative instruments, debt (including obligations of the U.S. Government) and money market instruments. As part of its investment strategy, the Fund intends to generate gains through an option strategy of writing (selling) covered call options on equity securities in its portfolio. When the Fund sells a covered call option, it generates gains in the form of the premium paid by the buyer of the call option, but the Fund forgoes the opportunity to participate in any increase in the value of the underlying equity security above the exercise price of the option. See Investment Objectives and Policies.

The Fund is not intended for those who wish to exploit short-term swings in the stock market.

The Investment Adviser s investment philosophy with respect to selecting investments in the gold industry and the natural resources industries is to emphasize quality and value, as determined by such factors as asset quality, balance sheet leverage, management ability, reserve life, cash flow and commodity hedging exposure. In addition, in making stock selections, the Investment Adviser looks for securities that it believes may have a superior yield, as well as capital gains potential and that allow the Fund to earn income from writing covered calls on such stocks.

Additional Investment Policies

Canadian Royalty Trusts. The Fund may invest in equity interests in Canadian Royalty Trusts. A Canadian Royalty Trust is a royalty trust whose securities are generally listed on a Canadian securities

exchange and which controls an underlying company whose business is the acquisition, exploitation, production and sale of oil and natural gas. These trusts generally pay out to unitholders the majority of the cash flow that they receive from the production and sale of underlying oil and natural gas reserves. The amount of distributions paid on a Canadian Royalty Trust s units will vary from time to time based on production levels, commodity prices, royalty rates and certain expenses, deductions and costs, as well as on the distribution payout ratio policy adopted. As a result of distributing the bulk of its cash flow to unitholders, the ability of a Canadian Royalty Trust to finance internal growth through exploration is limited. Therefore, Canadian Royalty Trusts typically grow through acquisition of additional oil and gas properties or producing companies with proven reserves of oil and gas, funded through the issuance of additional equity or, where the trust is able, additional debt.

Canadian Royalty Trusts, like other types of Natural Resources Companies, are exposed to pricing risk, supply and demand risk and depletion and exploration risk with respect to their underlying commodities, among other risks. An investment in units of Canadian Royalty Trusts involves some risks which differ from an investment in common stock of a corporation, including increased liability for the obligations of the trust. There are certain regulatory and tax risks associated with an investment in Canadian Royalty Trusts resulting from reliance on beneficial Canadian incentive programs and tax laws that may be changed in the future. In addition, securities of certain Canadian Royalty Trusts may not be qualifying assets for the Fund s asset diversification requirements.

Master Limited Partnerships (MLPs). MLPs in which the Fund intends to invest will be limited partnerships (or limited liability companies taxable as partnerships), the units of which will generally be listed and traded on a U.S. securities exchange. MLPs normally derive income and gains from the exploration, development, mining or production, processing, refining, transportation (including pipeline transporting gas, oil, or products thereof), or the marketing of mineral or natural resources. MLPs generally have two classes of owners, the general partner and limited partners. When investing in an MLP, the Fund intends to purchase publicly traded common units issued to limited partners of the MLP. The general partner typically controls the operations and management of the MLP. MLPs are typically structured such that common units and general partner interests have first priority to receive quarterly cash distributions up to an established minimum amount (minimum quarterly distributions or MQD). Common and general partner interests also accrue arrearages in distributions to the extent the MQD is not paid. Once common and general partner interests have been paid, subordinated units receive distributions of up to the MQD; however, subordinated units do not accrue arrearages. Distributable cash in excess of the MQD paid to both common and subordinated units is distributed to both common and subordinated units generally on a pro rata basis. The general partner is also eligible to receive incentive distributions if the general partner operates the business in a manner that results in distributions paid per common unit surpassing specified target levels.

MLPs, like other types of Natural Resources Companies, are exposed to pricing risk, supply and demand risk and depletion and exploration risk with respect to their underlying commodities, among other risks. An investment in MLP units involves some risks which differ from an investment in the common stock of a corporation. Holders of MLP units have limited control and voting rights on matters affecting the partnership. In addition, there are certain tax risks associated with an investment in MLP units and conflicts of interest may exist between common unit holders and the general partner, including those arising from incentive distribution payments.

Risk Arbitrage. The Fund may invest up to 10% of its assets at the time of investment in securities pursuant to risk arbitrage strategies or in other investment funds managed pursuant to such strategies. Risk arbitrage investments are made in securities of companies for which a tender or exchange offer has been made or announced and in securities of companies for which a merger, consolidation, liquidation or reorganization proposal has been announced if, in the judgment of the Investment Adviser, there is a reasonable prospect of total return significantly greater than the brokerage and other transaction expenses involved. Risk arbitrage strategies attempt to exploit merger activity to capture the spread between current market values of securities and their values after successful completion of a merger, restructuring or similar corporate transaction. Transactions associated with risk arbitrage strategies typically

involve the purchases or sales of securities in

Table of Contents

connection with announced corporate actions which may include, but are not limited to, mergers, consolidations, acquisitions, transfers of assets, tender offers, exchange offers, re-capitalizations, liquidations, divestitures, spin-offs and similar transactions. However, a merger or other restructuring or tender or exchange offer anticipated by the Fund and in which it holds an arbitrage position may not be completed on the terms contemplated or within the time frame anticipated, resulting in losses to the Fund.

In general, securities which are the subject of such an offer or proposal sell at a premium to their historic market price immediately prior to the announcement of the offer but may trade at a discount or premium to what the stated or appraised value of the security would be if the contemplated transaction were approved or consummated. Such investments may be advantageous when the discount significantly overstates the risk of the contingencies involved; significantly undervalues the securities, assets or cash to be received by shareholders as a result of the contemplated transaction; or fails adequately to recognize the possibility that the offer or proposal may be replaced or superseded by an offer or proposal of greater value. The evaluation of such contingencies requires unusually broad knowledge and experience on the part of the Investment Adviser which must appraise not only the value of the issuer and its component businesses as well as the assets or securities to be received as a result of the contemplated transaction but also the financial resources and business motivation behind the offer and/or the dynamics and business climate when the offer or proposal is in process. Since such investments are ordinarily short-term in nature, they will tend to increase the turnover ratio of the Fund, thereby increasing its brokerage and other transaction expenses. Risk arbitrage strategies may also involve short selling, options hedging and other arbitrage techniques to capture price differentials.

Derivative Instruments

Options. The Fund may, from time to time, subject to guidelines of the Board of Trustees and the limitations set forth in the prospectus, purchase or sell (i.e., write) options on securities, securities indices and foreign currencies which are listed on a national securities exchange or in the over-the-counter (OTC) market, as a means of achieving additional return or of hedging the value of the Fund s portfolio.

A call option is a contract that gives the holder of the option the right to buy from the writer of the call option, in return for a premium, the security or currency underlying the option at a specified exercise price at any time during the term of the option. The writer of the call option has the obligation, upon exercise of the option, to deliver the underlying security or currency upon payment of the exercise price during the option period.

A put option is a contract that gives the holder of the option the right, in return for a premium, to sell to the seller the underlying security at a specified price. The seller of the put option has the obligation to buy the underlying security upon exercise at the exercise price.

A call option is covered if the Fund owns the underlying instrument covered by the call or has an absolute and immediate right to acquire that instrument without additional cash consideration (or for additional cash consideration held in a segregated account by its custodian) upon conversion or exchange of other instruments held in its portfolio. A call option is also covered if the Fund holds a call option on the same instrument as the call option written where the exercise price of the call option held is (i) equal to or less than the exercise price of the call option written or (ii) greater than the exercise price of the call option written if the difference is maintained by the Fund in cash, U.S. Government Securities or other high-grade short-term obligations in a segregated account with its custodian. A put option is covered if the Fund maintains cash or other liquid securities with a value equal to the exercise price in a segregated account with its custodian, or else holds a put option on the same instrument as the put option written where the exercise price of the put option held is equal to or greater than the exercise price of the put option written.

If the Fund has written an option, it may terminate its obligation by effecting a closing purchase transaction. This is accomplished by purchasing an option of the same series as the option previously written. However, once the Fund

has been assigned an exercise notice, the Fund will be unable to effect a closing purchase transaction. Similarly, if the Fund is the holder of an option it may liquidate its position by effecting a closing sale transaction. This is accomplished by selling an option of the same series as the option

previously purchased. There can be no assurance that either a closing purchase or sale transaction can be effected when the Fund so desires.

The Fund will realize a profit from a closing transaction if the price of the transaction is less than the premium received from writing the option or is more than the premium paid to purchase the option; the Fund will realize a loss from a closing transaction if the price of the transaction is more than the premium received from writing the option or is less than the premium paid to purchase the option. Since call option prices generally reflect increases in the price of the underlying security, any loss resulting from the repurchase of a call option may also be wholly or partially offset by unrealized appreciation of the underlying security. Other principal factors affecting the market value of a put or a call option include supply and demand, interest rates, the current market price and price volatility of the underlying security and the time remaining until the expiration date. Gains and losses on investments in options depend, in part, on the ability of the Investment Adviser to predict correctly the effect of these factors. The use of options cannot serve as a complete hedge since the price movement of securities underlying the options will not necessarily follow the price movements of the portfolio securities subject to the hedge.

An option position may be closed out only on an exchange that provides a secondary market for an option of the same series or in a private transaction. Although the Fund will generally purchase or write only those options for which there appears to be an active secondary market, there is no assurance that a liquid secondary market on an exchange will exist for any particular option. In such event it might not be possible to effect closing transactions in particular options, so that the Fund would have to exercise its options in order to realize any profit and would incur brokerage commissions upon the exercise of call options and upon the subsequent disposition of underlying securities for the exercise of put options. If the Fund, as a covered call option writer, is unable to effect a closing purchase transaction in a secondary market, it will not be able to sell the underlying security until the option expires or it delivers the underlying security upon exercise or otherwise covers the position.

To the extent that the Fund purchases options pursuant to a hedging strategy, the Fund will be subject to the following additional risks. If a put or call option purchased by the Fund is not sold when it has remaining value, and if the market price of the underlying security remains equal to or greater than the exercise price (in the case of a put), or remains less than or equal to the exercise price (in the case of a call), the Fund will lose its entire investment in the option.

Where a put or call option on a particular security is purchased to hedge against price movements in that or a related security, the price of the put or call option may move more or less than the price of the security. If restrictions on exercise are imposed, the Fund may be unable to exercise an option it has purchased. If the Fund is unable to close out an option that it has purchased on a security, it will have to exercise the option in order to realize any profit or the option may expire worthless.

Options on Securities Indices. The Fund may purchase and sell securities index options. One effect of such transactions may be to hedge all or part of the Fund s securities holdings against a general decline in the securities market or a segment of the securities market. Options on securities indices are similar to options on stocks except that, rather than the right to take or make delivery of stock at a specified price, an option on a securities index gives the holder the right to receive, upon exercise of the option, an amount of cash if the closing level of the securities index upon which the option is based is greater than, in the case of a call option, or less than, in the case of a put option, the exercise price of the option.

The Fund s successful use of options on indices depends upon its ability to predict the direction of the market and is subject to various additional risks. The correlation between movements in the index and the price of the securities being hedged against is imperfect and the risk from imperfect correlation increases as the composition of the Fund diverges from the composition of the relevant index. Accordingly, a decrease in the value of the securities being

hedged against may not be wholly offset by a gain on the exercise or sale of a securities index put option held by the Fund.

Table of Contents

Options on Foreign Currencies. Instead of purchasing or selling currency futures (as described below), the Fund may attempt to accomplish similar objectives by purchasing put or call options on currencies or by writing put options or call options on currencies either on exchanges or in OTC markets. A put option gives the Fund the right to sell a currency at the exercise price until the option expires. A call option gives the Fund the right to purchase a currency at the exercise price until the option expires. Both types of options serve to insure against adverse currency price movements in the underlying portfolio assets designated in a given currency. The Fund s use of options on currencies will be subject to the same limitations as its use of options on securities, described above and in the prospectus. Currency options may be subject to position limits that may limit the ability of the Fund to fully hedge its positions by purchasing the options.

As in the case of interest rate futures contracts and options thereon, described below, the Fund may hedge against the risk of a decrease or increase in the U.S. dollar value of a foreign currency denominated debt security that the Fund owns or intends to acquire by purchasing or selling options contracts, futures contracts or options thereon with respect to a foreign currency other than the foreign currency in which such debt security is denominated, where the values of such different currencies (vis-à-vis the U.S. dollar) historically have a high degree of positive correlation.

Futures Contracts and Options on Futures. The Fund may purchase and sell financial futures contracts and options thereon which are traded on a commodities exchange or board of trade for certain hedging, yield enhancement and risk management purposes. A financial futures contract is an agreement to purchase or sell an agreed amount of securities or currencies at a set price for delivery in the future. These futures contracts and related options may be on debt securities, financial indices, securities indices, U.S. government securities and foreign currencies. The Investment Adviser has claimed an exclusion from the definition of the term commodity pool operator under the Commodity Exchange Act and therefore is not subject to registration under the Commodity Exchange Act. Accordingly, the Fund s investments in derivative instruments described in this prospectus and the Statement of Additional Information (the SAI) are not limited by or subject to regulation under the Commodity Exchange Act or otherwise regulated by the Commodity Futures Trading Commission.

The Fund will not enter into futures contracts or options on futures contracts unless (i) the aggregate initial margins and premiums do not exceed 5% of the fair market value of its assets and (ii) the aggregate market value of its outstanding futures contracts and the market value of the currencies and futures contracts subject to outstanding options written by the Fund, as the case may be, do not exceed 50% of its total assets. It is anticipated that these investments, if any, will be made by the Fund solely for the purpose of hedging against changes in the value of its portfolio securities and in the value of securities it intends to purchase. Such investments will only be made if they are economically appropriate to the reduction of risks involved in the management of the Fund. In this regard, the Fund may enter into futures contracts or options on futures for the purchase or sale of securities indices or other financial instruments including but not limited to U.S. Government Securities.

A sale of a futures contract (or a short futures position) means the assumption of a contractual obligation to deliver the securities underlying the contract at a specified price at a specified future time. A purchase of a futures contract (or a long futures position) means the assumption of a contractual obligation to acquire the securities underlying the contract at a specified price at a specified future time. Certain futures contracts, including stock and bond index futures, are settled on a net cash payment basis rather than by the sale and delivery of the securities underlying the futures contracts.

No consideration will be paid or received by the Fund upon the purchase or sale of a futures contract. Initially, the Fund will be required to deposit with the broker an amount of cash or cash equivalents equal to approximately 1% to 10% of the contract amount (this amount is subject to change by the exchange or board of trade on which the contract is traded and brokers or members of such board of trade may charge a higher amount). This amount is known as the initial margin and is in the nature of a performance bond or good faith deposit on the contract. Subsequent payments,

known as variation margin, to and from the broker will be made daily as the price of the index or security underlying the futures contract fluctuates. At any time prior

to the expiration of the futures contract, the Fund may elect to close the position by taking an opposite position, which will operate to terminate its existing position in the contract.

An option on a futures contract gives the purchaser the right, in return for the premium paid, to assume a position in a futures contract at a specified exercise price at any time prior to the expiration of the option.

Upon exercise of an option, the delivery of the futures position by the writer of the option to the holder of the option will be accompanied by delivery of the accumulated balance in the writer s futures margin account attributable to that contract, which represents the amount by which the market price of the futures contract exceeds, in the case of a call option, or is less than, in the case of a put option, the exercise price of the option on the futures contract. The potential loss related to the purchase of an option on a futures contract is limited to the premium paid for the option (plus transaction costs). Because the value of the option purchased is fixed at the point of sale, there are no daily cash payments by the purchaser to reflect changes in the value of the underlying contract; however, the value of the option does change daily and that change would be reflected in the net assets of the Fund.

Futures and options on futures entail certain risks, including but not limited to the following: no assurance that futures contracts or options on futures can be offset at favorable prices, possible reduction of the yield of the Fund due to the use of hedging, possible reduction in value of both the securities hedged and the hedging instrument, possible lack of liquidity due to daily limits on price fluctuations, imperfect correlation between the contracts and the securities being hedged, losses from investing in futures transactions that are potentially unlimited and the segregation requirements described below.

In the event the Fund sells a put option or enters into long futures contracts, under current interpretations of the 1940 Act, an amount of cash, U.S. Government Securities or other liquid securities equal to the market value of the contract must be deposited and maintained in a segregated account with the Fund s custodian (the Custodian) to collateralize the positions, in order for the Fund to avoid being treated as having issued a senior security in the amount of its obligations. For short positions in futures contracts and sales of call options, the Fund may establish a segregated account (not with a futures commission merchant or broker) with cash, U.S. Government Securities or other high grade debt securities that, when added to amounts deposited with a futures commission merchant or a broker as margin, equal the market value of the instruments or currency underlying the futures contracts or call options, respectively (but are no less than the stock price of the call option or the market price at which the short positions were established).

Interest Rate Futures Contracts and Options Thereon. The Fund may purchase or sell interest rate futures contracts to take advantage of or to protect the Fund against fluctuations in interest rates affecting the value of debt securities which the Fund holds or intends to acquire. For example, if interest rates are expected to increase, the Fund might sell futures contracts on debt securities, the values of which historically have a high degree of positive correlation to the values of the Fund s portfolio securities. Such a sale would have an effect similar to selling an equivalent value of the Fund s portfolio securities. If interest rates increase, the value of the Fund s portfolio securities will decline, but the value of the futures contracts to the Fund will increase at approximately an equivalent rate thereby keeping the net asset value of the Fund from declining as much as it otherwise would have. The Fund could accomplish similar results by selling debt securities with longer maturities and investing in debt securities with shorter maturities when interest rates are expected to increase. However, since the futures market may be more liquid than the cash market, the use of futures contracts as a risk management technique allows the Fund to maintain a defensive position without having to sell its portfolio securities.

Similarly, the Fund may purchase interest rate futures contracts when it is expected that interest rates may decline. The purchase of futures contracts for this purpose constitutes a hedge against increases in the price of debt securities (caused by declining interest rates), which the Fund intends to acquire. Since fluctuations in the value of appropriately

selected futures contracts should approximate that of the debt securities that will be purchased, the Fund can take advantage of the anticipated rise in the cost of the debt securities without actually buying them. Subsequently, the Fund can make its intended purchase of the debt securities in the cash market and currently liquidate its futures position. To the extent the Fund enters into futures contracts for this

Table of Contents

purpose, it will maintain in a segregated asset account with the Fund s Custodian, assets sufficient to cover the Fund s obligations with respect to such futures contracts, which will consist of cash or other liquid securities from its portfolio in an amount equal to the difference between the fluctuating market value of such futures contracts and the aggregate value of the initial margin deposited by the Fund with its Custodian with respect to such futures contracts.

The purchase of a call option on a futures contract is similar in some respects to the purchase of a call option on an individual security. Depending on the pricing of the option compared to either the price of the futures contract upon which it is based or the price of the underlying debt securities, it may or may not be less risky than ownership of the futures contract or underlying debt securities. As with the purchase of futures contracts, when the Fund is not fully invested it may purchase a call option on a futures contract to hedge against a market advance due to declining interest rates.

The purchase of a put option on a futures contract is similar to the purchase of protective put options on portfolio securities. The Fund will purchase a put option on a futures contract to hedge the Fund s portfolio against the risk of rising interest rates and a consequent reduction in the value of portfolio securities.

The writing of a call option on a futures contract constitutes a partial hedge against declining prices of the securities that are deliverable upon exercise of the futures contract. If the futures price at expiration of the option is below the exercise price, the Fund will retain the full amount of the option premium, which provides a partial hedge against any decline that may have occurred in the Fund s portfolio holdings. The writing of a put option on a futures contract constitutes a partial hedge against increasing prices of the securities that are deliverable upon exercise of the futures contract. If the futures price at expiration of the option is higher than the exercise price, the Fund will retain the full amount of the option premium, which provides a partial hedge against any increase in the price of debt securities that the Fund intends to purchase. If a put or call option the Fund has written is exercised, the Fund will incur a loss which will be reduced by the amount of the premium it received. Depending on the degree of correlation between changes in the value of its portfolio securities and changes in the value of its futures positions, the Fund s losses from options on futures it has written may to some extent be reduced or increased by changes in the value of its portfolio securities.

Currency Futures and Options Thereon. Generally, foreign currency futures contracts and options thereon are similar to the interest rate futures contracts and options thereon discussed previously. By entering into currency futures and options thereon, the Fund will seek to establish the rate at which it will be entitled to exchange U.S. dollars for another currency at a future time. By selling currency futures, the Fund will seek to establish the number of dollars it will receive at delivery for a certain amount of a foreign currency. In this way, whenever the Fund anticipates a decline in the value of a foreign currency against the U.S. dollar, the Fund can attempt to lock in the U.S. dollar value of some or all of the securities held in its portfolio that are denominated in that currency. By purchasing currency futures, the Fund can establish the number of dollars it will be required to pay for a specified amount of a foreign currency in a future month. Thus, if the Fund intends to buy securities in the future and expects the U.S. dollar to decline against the relevant foreign currency during the period before the purchase is effected, the Fund can attempt to lock in the price in U.S. dollars of the securities it intends to acquire.

The purchase of options on currency futures will allow the Fund, for the price of the premium and related transaction costs it must pay for the option, to decide whether or not to buy (in the case of a call option) or to sell (in the case of a put option) a futures contract at a specified price at any time during the period before the option expires. If the Investment Adviser, in purchasing an option, has been correct in its judgment concerning the direction in which the price of a foreign currency would move against the U.S. dollar, the Fund may exercise the option and thereby take a futures position to hedge against the risk it had correctly anticipated or close out the option position at a gain that will offset, to some extent, currency exchange losses otherwise suffered by the Fund. If exchange rates move in a way the Fund did not anticipate, however, the Fund will have incurred the expense of the option without obtaining the expected benefit; any such movement in exchange rates may also thereby reduce rather than enhance the Fund s profits

on its underlying securities transactions.

Table of Contents

Securities Index Futures Contracts and Options Thereon. Purchases or sales of securities index futures contracts are used for hedging purposes to attempt to protect the Fund s current or intended investments from broad fluctuations in stock or bond prices. For example, the Fund may sell securities index futures contracts in anticipation of or during a market decline to attempt to offset the decrease in market value of the Fund s securities portfolio that might otherwise result. If such decline occurs, the loss in value of portfolio securities may be offset, in whole or part, by gains on the futures position. When the Fund is not fully invested in the securities market and anticipates a significant market advance, it may purchase securities index futures contracts in order to gain rapid market exposure that may, in part or entirely, offset increases in the cost of securities that the Fund intends to purchase. As such purchases are made, the corresponding positions in securities index futures contracts will be closed out. The Fund may write put and call options on securities index futures contracts for hedging purposes.

Forward Currency Exchange Contracts. Subject to guidelines of the Board of Trustees, the Fund may enter into forward foreign currency exchange contracts to protect the value of its portfolio against uncertainty in the level of future currency exchange rates between a particular foreign currency and the U.S. dollar or between foreign currencies in which its securities are or may be denominated. The Fund may enter into such contracts on a spot (i.e., cash) basis at the rate then prevailing in the currency exchange market or on a forward basis by entering into a forward contract to purchase or sell currency. A forward contract on foreign currency is an obligation to purchase or sell a specific currency at a future date, which may be any fixed number of days agreed upon by the parties from the date of the contract at a price set on the date of the contract. Forward currency contracts (i) are traded in a market conducted directly between currency traders (typically, commercial banks or other financial institutions) and their customers, (ii) generally have no deposit requirements and (iii) are typically consummated without payment of any commissions. The Fund, however, may enter into forward currency contracts requiring deposits or involving the payment of commissions. To assure that its forward currency contracts are not used to achieve investment leverage, the Fund will segregate liquid assets consisting of cash, U.S. Government Securities or other liquid securities with its Custodian, or a designated sub-custodian, in an amount at all times equal to or exceeding its commitment with respect to the contracts.

The dealings of the Fund in forward foreign currency exchange are limited to hedging involving either specific transactions or portfolio positions. Transaction hedging is the purchase or sale of one forward foreign currency for another currency with respect to specific receivables or payables of the Fund accruing in connection with the purchase and sale of its portfolio securities or its payment of dividends and distributions. Position hedging is the purchase or sale of one forward foreign currency for another currency with respect to portfolio security positions denominated or quoted in the foreign currency to offset the effect of an anticipated substantial appreciation or depreciation, respectively, in the value of the currency relative to the U.S. dollar. In this situation, the Fund also may, for example, enter into a forward contract to sell or purchase a different foreign currency for a fixed U.S. dollar amount when it is believed that the U.S. dollar value of the currency to be sold or bought pursuant to the forward contract will fall or rise, as the case may be, whenever there is a decline or increase, respectively, in the U.S. dollar value of the currency in which its portfolio securities are denominated (this practice being referred to as a cross-hedge).

In hedging a specific transaction, the Fund may enter into a forward contract with respect to either the currency in which the transaction is denominated or another currency deemed appropriate by the Investment Adviser. The amount the Fund may invest in forward currency contracts is limited to the amount of its aggregate investments in foreign currencies.

The use of forward currency contracts may involve certain risks, including the failure of the counterparty to perform its obligations under the contract, and such use may not serve as a complete hedge because of an imperfect correlation between movements in the prices of the contracts and the prices of the currencies hedged or used for cover. The Fund will only enter into forward currency contracts with parties that the Investment Adviser believes to be creditworthy institutions.

10

Table of Contents

Special Risk Considerations Relating to Futures and Options Thereon. The Fund s ability to establish and close out positions in futures contracts and options thereon will be subject to the development and maintenance of liquid markets. Although the Fund generally will purchase or sell only those futures contracts and options thereon for which there appears to be a liquid market, there is no assurance that a liquid market on an exchange will exist for any particular futures contract or option thereon at any particular time. In the event no liquid market exists for a particular futures contract or option thereon in which the Fund maintains a position, it will not be possible to effect a closing transaction in that contract or to do so at a satisfactory price and the Fund would have to either make or take delivery under the futures contract or, in the case of a written option, wait to sell the underlying securities until the option expires or is exercised or, in the case of a purchased option, exercise the option. In the case of a futures contract or an option thereon which the Fund has written and which the Fund is unable to close, the Fund would be required to maintain margin deposits on the futures contract or option thereon and to make variation margin payments until the contract is closed.

Successful use of futures contracts and options thereon and forward contracts by the Fund is subject to the ability of the Investment Adviser to predict correctly movements in the direction of interest and foreign currency rates. If the Investment Adviser s expectations are not met, the Fund will be in a worse position than if a hedging strategy had not been pursued. For example, if the Fund has hedged against the possibility of an increase in interest rates that would adversely affect the price of securities in its portfolio and the price of such securities increases instead, the Fund will lose part or all of the benefit of the increased value of its securities because it will have offsetting losses in its futures positions. In addition, in such situations, if the Fund has insufficient cash to meet daily variation margin requirements, it may have to sell securities to meet the requirements. These sales may be, but will not necessarily be, at increased prices that reflect the rising market. The Fund may have to sell securities at a time when it is disadvantageous to do so.

Additional Risks of Foreign Options, Futures Contracts, Options on Futures Contracts and Forward Contracts. Options, futures contracts and options thereon and forward contracts on securities and currencies may be traded on foreign exchanges. Such transactions may not be regulated as effectively as similar transactions in the U.S., may not involve a clearing mechanism and related guarantees, and are subject to the risk of governmental actions affecting trading in, or the prices of, securities of foreign issuers (Foreign Securities). The value of such positions also could be adversely affected by (i) other complex foreign political, legal and economic factors, (ii) lesser availability than in the U.S. of data on which to make trading decisions, (iii) delays in the Fund s ability to act upon economic events occurring in the foreign markets during non-business hours in the U.S., (iv) the imposition of different exercise and settlement terms and procedures and margin requirements than in the U.S. and (v) less trading volume.

Exchanges on which options, futures and options on futures are traded may impose limits on the positions that the Fund may take in certain circumstances.

Swaps. The Fund may enter into total rate of return, credit default or other types of swaps and related derivatives for the purpose of hedging and risk management. These transactions generally provide for the transfer from one counterparty to another of certain risks inherent in the ownership of a financial asset such as a common stock or debt instrument. Such risks include, among other things, the risk of default and insolvency of the obligor of such asset, the risk that the credit of the obligor or the underlying collateral will decline or the risk that the common stock of the underlying issuer will decline in value. The transfer of risk pursuant to a derivative of this type may be complete or partial, and may be for the life of the related asset or for a shorter period. These derivatives may be used as a risk management tool for a pool of financial assets, providing the Fund with the opportunity to gain or reduce exposure to one or more reference securities or other financial assets (each, a Reference Asset) without actually owning or selling such assets in order, for example, to increase or reduce a concentration risk or to diversify a portfolio. Conversely, these derivatives may be used by the Fund to reduce exposure to an owned asset without selling it.

Because the Fund would not own the Reference Assets, the Fund may not have any voting rights with respect to the Reference Assets, and in such cases all decisions related to the obligors or issuers of the

Table of Contents

Reference Assets, including whether to exercise certain remedies, will be controlled by the swap counterparties.

Total rate of return swaps and similar derivatives are subject to many risks, including the possibility that the market will move in a manner or direction that would have resulted in gain for the Fund had the swap or other derivative not been utilized (in which case it would have been better had the Fund not engaged in the interest rate hedging transactions), the risk of imperfect correlation between the risk sought to be hedged and the derivative transactions utilized, the possible inability of the counterparty to fulfill its obligations under the swap and potential illiquidity of the hedging instrument utilized, which may make it difficult for the Fund to close out or unwind one or more hedging transactions.

Total rate of return swaps and related derivatives are a relatively recent development in the financial markets. Consequently, there are certain legal, tax and market uncertainties that present risks in entering into such arrangements. There is currently little or no case law or litigation characterizing total rate of return swaps or related derivatives, interpreting their provisions, or characterizing their tax treatment. In addition, additional regulations and laws may apply to these types of derivatives that have not previously been applied. There can be no assurance that future decisions construing similar provisions to those in any swap agreement or other related documents or additional regulations and laws will not have an adverse effect on the Fund that utilizes these instruments.

Commodities-Linked Equity Derivative Instrument Risk. The Fund may invest in structured notes that are linked to one or more underlying commodities. Such structured notes provide exposure to the investment returns of physical commodities without actually investing directly in physical commodities. Such structured notes in which the Fund expects to invest are hybrid instruments that have substantial risks, including risk of loss of all or a significant portion of their principal value. Because the payouts on these notes are linked to the price change of the underlying commodities, these investments are subject to market risks that relate to the movement of prices in the commodities markets. They may also be subject to additional special risks that do not affect traditional equity and debt securities that may be greater than or in addition to the risks of derivatives in general, including risk of loss of interest, risk of loss of principal, lack of liquidity and risk of greater volatility.

Risk of Loss of Interest. If payment of interest on a structured note or other hybrid instrument is linked to the value of a particular commodity, futures contract, index or other economic variable, the Fund might not receive all (or a portion) of the interest due on its investment if there is a loss in value of the underlying instrument.

Risk of Loss of Principal. To the extent that the amount of the principal to be repaid upon maturity is linked to the value of a particular commodity, futures contract, index or other economic variable, the Fund might not receive all or a portion of the principal at maturity of the investment. At any time, the risk of loss associated with a particular instrument in the Fund s portfolio may be significantly higher than 50% of the value of the investment.

Lack of Secondary Market. A liquid secondary market may not exist for the specially created hybrid instruments the Fund buys, which may make it difficult for the Fund to sell them at an acceptable price or accurately value them.

Risk of Greater Volatility. The value of the commodities-linked equity derivative investments the Fund buys may fluctuate significantly because the values of the underlying investments to which they are linked are themselves extremely volatile. Additionally, economic leverage will increase the volatility of these hybrid instruments, as they may increase or decrease in value more quickly than the underlying commodity index, futures contract or other economic variable.

The Investment Adviser is Not Registered as a Commodity Pool Operator. The Investment Adviser has claimed an exclusion from the definition of the term commodity pool operator under the Commodity Exchange Act. Accordingly, the Fund s investments in derivative instruments described in the prospectus and

12

this SAI are not limited by or subject to regulation under the Commodity Exchange Act or otherwise regulated by the Commodity Futures Trading Commission.

Risks of Currency Transactions. Currency transactions are also subject to risks different from those of other portfolio transactions. Because currency control is of great importance to the issuing governments and influences economic planning and policy, purchases and sales of currency and related instruments can be adversely affected by government exchange controls, limitations or restrictions on repatriation of currency, and manipulation, or exchange restrictions imposed by governments. These forms of governmental action can result in losses to the Fund if it is unable to deliver or receive currency or monies in settlement of obligations and could also cause hedges it has entered into to be rendered useless, resulting in full currency exposure as well as incurring transaction costs.

Repurchase Agreements. The Fund may enter into repurchase agreements. A repurchase agreement is an instrument under which the purchaser (i.e., the Fund) acquires a debt security and the seller agrees, at the time of the sale, to repurchase the obligation at a mutually agreed upon time and price, thereby determining the yield during the purchaser s holding period. This results in a fixed rate of return insulated from market fluctuations during such period. The underlying securities are ordinarily U.S. Treasury or other government obligations or high quality money market instruments. The Fund will require that the value of such underlying securities, together with any other collateral held by the Fund, always equals or exceeds the amount of the repurchase obligations of the counter party. The Fund s risk is primarily that, if the seller defaults, the proceeds from the disposition of the underlying securities and other collateral for the seller s obligation are less than the repurchase price. If the seller becomes insolvent, the Fund might be delayed in or prevented from selling the collateral. In the event of a default or bankruptcy by a seller, the Fund will promptly seek to liquidate the collateral. To the extent that the proceeds from any sale of such collateral upon a default in the obligation to repurchase are less than the repurchase price, the Fund will experience a loss.

The Investment Adviser, acting under the supervision of the Board of Trustees of the Fund, reviews the creditworthiness of those banks and dealers with which the Fund enters into repurchase agreements to evaluate these risks and monitors on an ongoing basis the value of the securities subject to repurchase agreements to ensure that the value is maintained at the required level. The Fund will not enter into repurchase agreements with the Investment Adviser or any of its affiliates.

If the financial institution which is a party to the repurchase agreement petitions for bankruptcy or becomes subject to the United States Bankruptcy Code, the law regarding the rights of the Fund is unsettled. As a result, under extreme circumstances, there may be a restriction on the Fund s ability to sell the collateral and the Fund would suffer a loss.

Loans of Portfolio Securities. Consistent with applicable regulatory requirements and the Fund s investment restrictions, the Fund may lend its portfolio securities to securities broker-dealers or financial institutions, provided that such loans are callable at any time by the Fund (subject to notice provisions described below), and are at all times secured by cash, cash equivalents or other liquid securities which are maintained in a segregated account pursuant to applicable regulations and that are at least equal to the market value, determined daily, of the loaned securities. The advantage of such loans is that the Fund continues to receive the income on the loaned securities while at the same time earns interest on the cash amounts deposited as collateral, which will be invested in short-term obligations. The Fund will not lend its portfolio securities if such loans are not permitted by the laws or regulations of any state in which its shares are qualified for sale. The Fund s loans of portfolio securities will be collateralized in accordance with applicable regulatory requirements and no loan will cause the value of all loaned securities to exceed 20% of the value of the Fund s total assets. The Fund s ability to lend portfolio securities may be limited by rating agency guidelines.

A loan may generally be terminated by the borrower on one business day notice, or by the Fund on five business days notice. If the borrower fails to deliver the loaned securities within five days after receipt of notice, the Fund could use the collateral to replace the securities while holding the borrower liable for any excess of replacement cost over

collateral. As with any extensions of credit, there are risks of delay in

recovery and in some cases even loss of rights in the collateral should the borrower of the securities fail financially. However, these loans of portfolio securities will only be made to firms deemed by the Investment Adviser to be creditworthy and when the income that can be earned from such loans justifies the attendant risks. The Board of Trustees will oversee the creditworthiness of the contracting parties on an ongoing basis. Upon termination of the loan, the borrower is required to return the securities to the Fund. Any gain or loss in the market price during the loan period would inure to the Fund. The risks associated with loans of portfolio securities are substantially similar to those associated with repurchase agreements. Thus, if the counter party to the loan petitions for bankruptcy or becomes subject to the United States Bankruptcy Code, the law regarding the rights of the Fund is unsettled. As a result, under extreme circumstances, there may be a restriction on the Fund s ability to sell the collateral and the Fund would suffer a loss. When voting or consent rights which accompany loaned securities pass to the borrower, the Fund will follow the policy of calling the loaned securities, to be delivered within one day after notice, to permit the exercise of such rights if the matters involved would have a material effect on the Fund s investment in such loaned securities. The Fund will pay reasonable finder s, administrative and custodial fees in connection with a loan of its securities.

When Issued, Delayed Delivery Securities and Forward Commitments. The Fund may enter into forward commitments for the purchase or sale of securities, including on a when issued or delayed delivery basis, in excess of customary settlement periods for the type of security involved. In some cases, a forward commitment may be conditioned upon the occurrence of a subsequent event, such as approval and consummation of a merger, corporate reorganization or debt restructuring (i.e., a when, as and if issued security). When such transactions are negotiated, the price is fixed at the time of the commitment, with payment and delivery taking place in the future, generally a month or more after the date of the commitment. While it will only enter into a forward commitment with the intention of actually acquiring the security, the Fund may sell the security before the settlement date if it is deemed advisable by the Investment Adviser.

Securities purchased under a forward commitment are subject to market fluctuation, and no interest (or dividends) accrues to the Fund prior to the settlement date. The Fund will segregate with its Custodian cash or other liquid securities in an aggregate amount at least equal to the amount of its outstanding forward commitments.

INVESTMENT RESTRICTIONS

The Fund operates under the following restrictions that constitute fundamental policies that, except as otherwise noted, cannot be changed without the affirmative vote of the holders of a majority of the outstanding voting securities of the Fund voting together as a single class. In the event the Fund were to issue any preferred shares, the approval of a majority of such shares voting as a separate class would also be required. Such majority vote requires the lesser of (i) 67% of the Fund s applicable shares represented at a meeting at which more than 50% of the applicable shares outstanding are represented, whether in person or by proxy, or (ii) more than 50% of the Fund s applicable shares outstanding. Except as otherwise noted, all percentage limitations set forth below apply after a purchase or initial investment and any subsequent change in any applicable percentage resulting from market fluctuations does not require any action. The Fund may not:

(1) other than with respect to its concentrations in Gold Companies and Natural Resources Companies, invest more than 25% of its total assets, taken at market value at the time of each investment, in the securities of issuers in any particular industry. This restriction does not apply to investments in U.S. government securities and investments in the gold industry and the natural resources industries;

(2) purchase commodities or commodity contracts if such purchase would result in regulation of the Fund as a commodity pool operator;

(3) purchase or sell real estate, provided the Fund may invest in securities and other instruments secured by real estate or interests therein or issued by companies that invest in real estate or interests therein;

(4) make loans of money or other property, except that (i) the Fund may acquire debt obligations of any type (including through extensions of credit), enter into repurchase agreements and lend portfolio assets and (ii) the Fund may, up to 20% of the Fund s total assets, lend money or other property to other

Table of Contents

investment companies advised by the Investment Adviser pursuant to a common lending program to the extent permitted by applicable law;

(5) borrow money, except to the extent permitted by applicable law;

(6) issue senior securities, except to the extent permitted by applicable law; or

(7) underwrite securities of other issuers, except insofar as the Fund may be deemed an underwriter under applicable law in selling portfolio securities; provided, however, this restriction shall not apply to securities of any investment company organized by the Fund that are to be distributed pro rata as a dividend to its shareholders.

In addition, the Fund s investment objectives and its policies of investing at least 25% of its assets in normal circumstances in Gold Companies and in Natural Resource Companies are fundamental policies. Unless specifically stated as such, no policy of the Fund is fundamental and each policy may be changed by the Board of Trustees without shareholder approval.

Table of Contents

MANAGEMENT OF THE FUND

Trustees and Officers

Overall responsibility for management and supervision of the Fund rests with its Board of Trustees (the Board). The Board approves all significant agreements between the Fund and the companies that furnish the Fund with services, including agreements with the Investment Adviser, the Fund s custodian and the Fund s transfer agent. The day-to-day operations of the Fund are delegated to the Investment Adviser.

The names and business addresses of the Trustees and principal officers of the Fund are set forth in the following table, together with their positions and their principal occupations during the past five years and, in the case of the Trustees, their other directorships during the past five years with certain other organizations and companies.

Name (and Age), Position with the Fund and Business Address[1]	Term of Office and Length of Time Served[2]	Principal Occupation(s) During Past Five Years	Other Directorships Held by Trustee During Past Five Years	Number of Portfolios in Fund Complex[3] Overseen by Trustee
Interested Trustee[4]				
Salvatore M. Salibello (64)	Since 2005***	Certified Public Accountant and Managing Partner of the certified public accounting firm of Salibello & Broder LLP	Director of Kid Brands, Inc. (group of companies in infant and juvenile products) and until September 2007, Director of Brooklyn Federal Bank Corp., Inc. (independent community bank)	3
Independent Trustees[5]				
Anthony J. Colavita (74)[6] Trustee	Since 2005**	President of the law firm of Anthony J. Colavita, P.C.	None	34
James P. Conn (72)[6] Trustee	Since 2005***	Former Managing Director and Chief Investment Officer of Financial Security Assurance Holdings Ltd. (insurance holding company) (1992 1998)	Director of First Republic Bank (banking) through January 2008 and LaQuinta Corp. (hotels) through January 2006	18
Mario d Urso (69) Trustee	Since 2005*	Chairman of Mittel Capital - Markets S.p.A. (2001 2008); Senator in the Italian Parliament (1996 2001)	None	5

Vincent D. Enright (66) Trustee	Since 2005*	Former Senior Vice President and Chief Financial Officer of KeySpan Energy Corp (public utility) (1994 1998)	Director of Echo Therapeutics, Inc. (therapeutics and diagnostics) and until September 2006, Director of Aphton Corporation (pharmaceuticals)	16

Table of Contents

Name (and Age), Position with the Fund and Business Address[1]	Term of Office and Length of Time Served[2]	Principal Occupation(s) During Past Five Years	Other Directorships Held by Trustee During Past Five Years	Number of Portfolios in Fund Complex[3] Overseen by Trustee
Frank J. Fahrenkopf, Jr. (70) Trustee	Since 2005**	President and Chief Executive Officer of the American Gaming Association; Co-Chairman of the Commission on Presidential Debates; Chairman of the Republican National Committee (1983 1989)	Director of First Republic Bank (banking) until mid September 2007	6
Michael J. Melarkey (60) Trustee	Since 2005*	Partner in the law firm of Avansino, Melarkey, Knobel & Mulligan	Director of Southwest Gas Corporation (natural gas utility)	5
Anthonie C. van Ekris (75) Trustee	Since 2005***	Chairman and Chief Executive Officer of BALMAC International, Inc. (commodities and futures trading)	Director of Aurado Energy Inc. (oil and gas operations) through 2005	20
Salvatore J. Zizza (64) Trustee	Since 2005**	Chairman and Chief Executive Officer of Zizza & Co., Ltd. (consulting) and Chief Executive Officer of General Employment Enterprises, Inc.	Director of Harbor BioSciences, Inc.(biotechnology) and Trans-Lux Corporation (business services) Chairman of each of BAM (manufacturing); Metropolitan Paper Recycling (recycling); Bergen Cove Realty Inc. (real estate); formerly Chairman of Bion Environmental Technologies (technology) (2005-2008); Director of Earl Scheib Inc. (automotive painting) through April 2009	28
Officers[7]				
Bruce N. Alpert (58) President Acting Treasurer	Since 2005 Since March 2010	Executive Vice President (since 1999) and Chief Operating Officer (since 1988) of Gabelli Funds, LLC; Chairman of Teton Advisors, Inc. since July		

		2008 and Director and President from 1998 through June 2008; Senior Vice President of GAMCO Investors, Inc. since 2008; Officer of all of the registered investment companies in the Gabelli/GAMCO Fund Complex since 1988

Table of Contents

Name (and Age), Position with the Fund and Business Address[1]	Term of Office and Length of Time Served[2]	Principal Occupation(s) During Past Five Years	Other Directorships Held by Trustee During Past Five Years	Number of Portfolios in Fund Complex[3] Overseen by Trustee
Carter W. Austin (43) Vice President	Since 2005	Vice President of the Fund since 2005; Vice President of other registered investment companies in the Gabelli/GAMCO Fund Complex; Vice President of Gabelli Funds, LLC since 1996		
Peter D. Goldstein (56) Chief Compliance Officer Acting Secretary	Since 2005 Since March 2010	Director of Regulatory Affairs for GAMCO Investors, Inc. since 2004; Chief Compliance Officer of all of the registered investment companies in the Gabelli/GAMCO Fund Complex		
Molly A.F. Marion (55) Vice President and Ombudsman	Since 2005	Vice President and Ombudsman of the Gabelli Equity Trust Inc. since 2009; Assistant Vice President of GAMCO Investors, Inc. since 2006; Assistant Portfolio Manager of Gabelli Fixed Income LLC from 1994 2004		
Laurissa M. Martire (33) Ombudsman	Since February 2010 Since 2006	Ombudsman of the Fund since 2010; Vice President or Ombudsman of other registered investment companies in the Gabelli/GAMCO Fund Complex; Assistant Vice President of GAMCO Investors, Inc. since 2003		

Agnes Mullady (51)[8] Treasurer and Secretary	Senior Vice President of GAMCO Investors, Inc. since 2009; Vice President of Gabelli Funds, LLC since 2007; Officer of all of the registered investment companies in the Gabelli/GAMCO Fund Complex; Senior Vice President of U.S. Trust Company, N.A. and Treasurer and Chief Financial Officer of Excelsior Funds from 2004 2005;

(1) Address: One Corporate Center, Rye, NY 10580-1422, unless otherwise noted.

(2) The Fund s Board of Trustees is divided into three classes, each class having a term of three years. Each year the term of office of one class expires and the successor or successors elected to such class serve for a three year term. The three year term for each class is as follows:

* Term continues until the Fund s 2010 Annual Meeting of Shareholders and until their successors are duly elected and qualified.

** Term continues until the Fund s 2011 Annual Meeting of Shareholders and until their successors are duly elected and qualified.

*** Term continues until the Fund s 2012 Annual Meeting of Shareholders and until their successors are duly elected and qualified.

(3) The Fund Complex or the Gabelli/GAMCO Fund Complex includes all the registered funds that are considered part of the same fund complex as the Fund because they have common or affiliated investment advisers.

Table of Contents

(4) Interested person of the Fund, as defined in the 1940 Act. Mr. Salibello may be considered an interested person of the Fund as a result of being a partner in an accounting firm that provides professional services to affiliates of the Investment Adviser.

(5) Trustees who are not considered to be interested persons of the Fund as defined in the 1940 Act are considered to be Independent Trustees.

(6) Trustee elected solely by holders of the Fund s Preferred Shares.

(7) Each officer will hold office for an indefinite term until the date he or she resigns or retires or until his or her successor is elected and qualified.

(8) Agnes Mullady is on a leave of absence for a limited period of time.

The Fund s governing documents do not set forth any specific qualifications to serve as a Trustee other than that a nominee for Trustee shall be at least 21 years of age and not older than such age, if any, as the Trustees may determine and shall not be under legal disability. The Trustees have not determined a maximum age.

The Board believes that each Trustee s qualifications, attributes or skills on an individual basis and in combination with those of other Trustees lead to the conclusion that each Trustee should serve in such capacity. Among the attributes or skills common to all Trustees are their ability to review critically and to evaluate, question, and discuss information provided to them, to interact effectively with the other Trustees, the Adviser, the sub-administrator, other service providers, counsel, and the Fund s independent registered public accounting firm, and to exercise effective and independent business judgment in the performance of their duties as Trustees. Each Trustee s ability to perform his duties effectively has been attained in large part through the Trustee s business, consulting or public service positions and through experience from service as a member of the Board and one or more of the other funds in the Gabelli/GAMCO Fund Complex, public companies, or non-profit entities or other organizations as set forth above and below. Each Trustee s ability to perform his duties effectively also has been enhanced by his education, professional training and other life experiences.

Anthony J. Colavita. Mr. Colavita is a practicing attorney with over 49 years of experience including in the area of business law. He is the Chairman of the Fund s Nominating Committee and is a member of the Fund s Proxy Voting Committee. Mr. Colavita also serves on comparable or other board committees with respect to other funds in the Fund Complex on whose boards he sits. Mr. Colavita also serves as a Trustee of a charitable remainder unitrust. He formerly served as a Commissioner of the New York State Thruway Authority and as a Commissioner of the New York State Bridge Authority. He served for ten years as the elected Supervisor of the Town of Eastchester, New York, responsible for ten annual municipal budgets of approximately eight million dollars per year. Mr. Colavita formerly served as Special Counsel to the New York State Assembly for five years and as a Senior Attorney with the New York State Insurance Department. He was also formerly Chairman of the Westchester County Republican Party and the New York State Republican Party. Mr. Colavita received his Bachelor of Arts from Fairfield University and his Juris Doctor from Fordham University School of Law.

James P. Conn. Mr. Conn is the lead independent Trustee of the Fund, is a member of the Fund s Proxy Voting Committee and also serves on comparable or other board committees for other funds in the Fund Complex on whose boards he sits. He was a senior business executive of an insurance holding company for much of his career, including service as Chief Investment Officer, and has been a director of several public companies in banking and other industries, for some of which he was lead Director and/or Chairman of various committees. Mr. Conn received his Bachelor of Science in Business Administration from Santa Clara University.

*Mario d Urs*o. Mr. d Urso was formerly a Senator and Undersecretary of Commerce in the Italian government. He is a member of the board of other funds in the Fund Complex. He is a former Chairman of Mittel Capital Market S.p.A., a boutique investment bank headquartered in Italy, and a former Partner and Managing Director at the investment bank of Kuhn Loeb & Co. and Shearson Lehman Brothers Co. He previously served as President of The Italy Fund, a closed-end fund investing mainly in Italian listed and non-listed companies. Mr. d Urso received his Masters Degree in comparative law from George Washington University and was formerly a practicing attorney in Italy.

Table of Contents

Vincent D. Enright. Mr. Enright was a senior executive and Chief Financial Officer (CFO) of an energy public utility company for four years. In accordance with his experience as a CFO, he is a member of the Fund s Audit Committee. Mr. Enright is also Chairman of the Fund s Proxy Voting Committee, a member of the Fund s Pricing Committee, and a member of both multi-fund ad hoc Compensation Committees (described below under Trustees Leadership Structure and Oversight Responsibilities) and serves on comparable or other board committees with respect to other funds in the Fund Complex on whose boards he sits. Mr. Enright is also a Director of a therapeutic and diagnostic company and serves as Chairman of its compensation committee and as a member of its audit committee. He was also a Director of a pharmaceutical company. Mr. Enright received his Bachelor of Science from Fordham University and completed the Advanced Management Program at Harvard University.

Frank J. Fahrenkopf, Jr. Mr. Fahrenkopf is the President and Chief Executive Officer of the American Gaming Association (AGA), the trade group for the gaming industry. He presently is Co-Chairman of the Commission on Presidential Debates, which is responsible for the widely-viewed Presidential debates during the quadrennial election cycle. Additionally, he serves as a board member of the International Republican Institute (IRI), which he founded in 1984. He served for many years as Chairman of the Pacific Democrat Union and Vice Chairman of the International Democrat Union, a worldwide association of political parties from the United States, Great Britain, France, Germany, Canada, Japan, Australia, and 20 other nations. Prior to becoming AGA s first chief executive in 1995, Mr. Fahrenkopf was a partner in the law firm of Hogan & Hartson, where he chaired the International Trade Practice Group and specialized in regulatory, legislative, and corporate matters for multinational, foreign, and domestic clients. He also served as Chairman of the Republican National Committee for six years during Ronald Reagan s presidency. He is the former Chairman and remains a member of the Finance Committee of the Culinary Institute of America. Additionally, Mr. Fahrenkopf had over 20 years experience as a member of the board of directors of a bank and still serves as a member of the Advisory Board of the bank. He is a member of the Fund s Audit Committee and serves in this same capacity with respect to the other funds in the Fund Complex. Mr. Fahrenkopf received his Bachelor of Arts from the University of Nevada, Reno and his Juris Doctor from Boalt Hall School of Law, U.C. Berkeley.

Michael J. Melarkey. Mr. Melarkey is a practicing attorney specializing in business, estate planning and gaming regulatory work with over 34 years of experience. He is a member of the Fund s Nominating Committee and also serves in this same capacity with respect to some of the other funds in the Fund Complex on whose board he sits. Mr. Melarkey also is a member of the multi-fund ad hoc Compensation Committee relating to certain officers of the closed-end funds in the Fund Complex. He is currently a Director of a natural gas utility company and chairs its Nominating and Corporate Governance Committee. Mr. Melarkey also acts as a Trustee and officer for several private charitable organizations, is an owner of two northern Nevada casinos and a real estate development company, and acts as a Trustee of one and as an officer of another private oil and gas company. Mr. Melarkey received his Bachelor of Arts from the University of Nevada, Reno, his Juris Doctor from the University of San Francisco School of Law and his Masters of Law in Taxation from New York University Law School.

Salvatore M. Salibello. Mr. Salibello is a Certified Public Accountant and Managing Partner of an independent registered public accounting firm with 43 years of experience in public accounting. He is currently a director of a group of companies in infant and juvenile products and chairs its audit committee. Mr. Salibello was formerly a director of an independent community bank and chaired its audit committee. He is a member of the board of other funds in the Fund Complex. Mr. Salibello received his Bachelor of Business Administration in Accounting from St. Francis College and his Masters in Business Administration in Finance from Long Island University.

Anthonie C. van Ekris. Mr. van Ekris has been the Chairman and Chief Executive Officer of a global import/export company for 19 years. He has over 55 years of experience as Chairman and/or Chief Executive Officer of public and private companies involved in the international trading or commodity trading businesses and had also served in both these capacities for nearly 20 years for a large public jewelry chain. Mr. van Ekris serves on the boards of other funds

in the Fund Complex and is the Chairman of one such fund s Nominating Committee and is also a member of the Proxy Voting Committee of some funds in the Fund Complex. Mr. van Ekris was formerly a Director of an oil and gas operations company and served on the boards of a number of public companies, and served for more than 10 years on the Advisory Board of the Salvation Army of Greater New York.

Table of Contents

Salvatore J. Zizza. Mr. Zizza is the Chairman of a consulting firm. Mr. Zizza is the Chairman of the Fund s Audit Committee and has been designated the Fund s Audit Committee Financial Expert. Mr. Zizza is also a member of the Fund s Nominating Committee and Pricing Committee and both multi-fund ad hoc Compensation Committees. In addition, he serves on comparable or other board committees, including as lead independent director, with respect to other funds in the Fund Complex on whose board he sits. Besides serving on the boards of many funds within the Fund Complex, he is currently a Director of two other public companies and has previously served on the boards of several other public companies. Previously he has served as the Chief Executive of a large construction company which was a NYSE-listed company. Mr. Zizza received his Bachelor of Arts and his Master of Business Administration from St. John s University, which also has awarded him an Honorary Doctorate in Commercial Sciences.

Trustees Leadership Structure and Oversight Responsibilities

The Board does not have a Chairman. The Board has appointed Mr. Conn as the lead independent Trustee. The lead independent Trustee presides over executive sessions of the Trustees and also serves between meetings of the Board as a liaison with service providers, officers, counsel and other Trustees on a wide variety of matters including agenda items for Board meetings. Designation as such does not impose on the lead independent Trustee any obligations or standards greater than or different from other Trustees. The Board has established a Nominating Committee and an Audit Committee to assist the Board in the oversight of the management and affairs of the Fund. The Board also has an ad hoc Proxy Voting Committee that exercises beneficial ownership responsibilities on behalf of the Fund in selected situations. From time to time the Board establishes additional committees or informal working groups, such as pricing committees related to securities offerings by the Fund, to deal with specific matters or assigns one of its members to participate with Trustees or directors of other funds in the Gabelli/GAMCO Fund Complex on special committees or working groups that deal with complex-wide matters, such as the multi-fund ad hoc Compensation Committee relating to the compensation of the Chief Compliance Officer for all the funds in the Fund Complex and a separate multi-fund ad hoc Compensation Committee relating to certain officers of the closed-end funds in the Fund Complex.

All of the Fund s Trustees other than Mr. Salibello are independent Trustees, and the Board believes they are able to provide effective oversight of the Fund s service providers. In addition to providing feedback and direction during Board meetings, the Trustees meet regularly in executive session and chair all committees of the Board.

The Fund s operations entail a variety of risks including investment, administration, valuation and a range of compliance matters. Although the Adviser, the sub-administrator and the officers of the Fund are responsible for managing these risks on a day-to-day basis within the framework of their established risk management functions, the Board also addresses risk management of the Fund through its meetings and those of the committees and working groups. In particular, as part of its general oversight, the Board reviews with the Adviser at Board meetings the levels and types of risks, including options risk, being undertaken by the Fund, and the Audit Committee discusses the Fund s risk management and controls with the independent registered public accounting firm engaged by the Fund. The Board reviews valuation policies and procedures and the valuations of specific illiquid securities. The Board also receives periodic reports from the Fund s Chief Compliance Officer regarding compliance matters relating to the Fund and its major service providers, including results of the implementation and testing of the Fund s and such providers compliance programs. The Board s oversight function is facilitated by management reporting processes that are designed to provide visibility to the Board about the identification, assessment, and management of critical risks and the controls and policies and procedures used to mitigate those risks. From time to time the Board reviews its role in supervising the Fund s risk management and may make changes in its discretion at any time.

The Board has determined that its leadership structure is appropriate for the Fund because it enables the Board to exercise informed and independent judgment over matters under its preview, allocates responsibility among committees in a manner that fosters effective oversight, and allows the Board to devote appropriate resources to specific issues in a flexible manner as they arise. The Board periodically reviews its leadership structure as well as its overall structure, composition, and functioning and may make changes in its discretion at any time.

Table of Contents

Board Committees

The Nominating Committee is responsible for recommending qualified candidates to the Board in the event that a position is vacated or created. The Nominating Committee would consider recommendations by shareholders if a vacancy were to exist. Such recommendations should be forwarded to the Secretary of the Fund.

The Audit Committee is generally responsible for reviewing and evaluating issues related to the accounting and financial reporting policies and internal controls of the Fund and, as appropriate, the internal controls of certain service providers, overseeing the quality and objectivity of the Fund s financial statements and the audit thereof and to act as a liaison between the Board of Trustees and the Fund s independent registered public accounting firm.

The Fund does not have a standing compensation committee, but does have representatives on a multi-fund ad hoc Compensation Committee relating to compensation of the Chief Compliance Officer for the funds and certain officers of the closed-end funds in the Fund Complex.

Name of Trustee	Dollar Range of Equity Securities Held in the Fund	Aggregate Dollar Range of Equity Securities Held in All Registered Investment Companies in the Gabelli Fund Complex
Interested Trustee		
Salvatore M. Salibello	none	over $100,000
Independent Trustees		
Anthony J. Colavita*	$1-$10,000	over $100,000
James P. Conn	$50,001-$100,000	over $100,000
Mario d Urso	none	over $100,000
Vincent D. Enright	none	over $100,000
Frank J. Fahrenkopf, Jr.	none	$1-$10,000
Michael J. Melarkey	$10,001-$50,000	over $100,000
Anthonie C. van Ekris*	$10,001-$50,000	over $100,000
Salvatore J. Zizza	$10,001-$50,000	over $100,000

All shares were valued as of December 31, 2009

* Messrs. Colavita and van Ekris each beneficially own less than 1% of the common stock of The LGL Group, Inc., having a value of $4,389 and $5,264, respectively, as of December 31, 2009. Mr. van Ekris beneficially owns less than 1% of the common stock of LICT Corp. and CIBL, Inc., having a value of $72,000 and $75, respectively, as of December 31, 2009. The LGL Group, Inc., LICT Corp. and CIBL, Inc. may be deemed to be controlled by Mario J. Gabelli and in that event would be deemed to be under common control with the Fund s Investment Adviser.

The Trustees serving on the Fund s Nominating Committee are Anthony J. Colavita (Chair), Michael J. Melarkey and Salvatore J. Zizza. Vincent D. Enright, Frank J. Fahrenkopf, Jr. and Salvatore J. Zizza (Chair), who are not interested persons of the Fund as defined in the 1940 Act, serve on the Fund s Audit Committee.

Remuneration of Trustees

The Fund pays each Trustee who is not an officer or employee of the Investment Adviser or its affiliates a fee of $6,000 per annum plus $1,000 per Board meeting attended and $500 per committee meeting attended, together with each Trustee s actual out-of-pocket expenses relating to attendance at such meetings. In addition the Audit Committee Chairman receives an annual fee of $3,000, the Nominating Committee Chairman receives an annual fee of $2,000, and the Lead Trustee receives an annual fee of $1,000. A Trustee may

Table of Contents

receive a single meeting fee, allocated among the participating funds, for participation in certain meetings held on behalf of multiple funds.

The following table shows the compensation that the Trustees earned in their capacity as Trustees during the year ended December 31, 2009. The table also shows, for the year ended December 31, 2009, the compensation Trustees earned in their capacity as Trustees for other funds in the Gabelli Fund Complex.

COMPENSATION TABLE FOR THE YEAR ENDED DECEMBER 31, 2009

Name of Trustee	Compensation From the Fund	Total Compensation from the Fund and Fund Complex Paid to Trustees*
Interested Trustee		
Salvatore M. Salibello	$ 10,000	$ 35,000
Independent Trustees		
Anthony J. Colavita	$ 12,500	$ 263,438
James P. Conn	$ 11,000	$ 132,000
Mario d Urso	$ 9,000	$ 42,000
Vincent D. Enright	$ 11,000	$ 129,438
Frank J. Fahrenkopf, Jr.	$ 11,000	$ 64,500
Michael J. Melarkey	$ 10,500	$ 46,500
Anthonie C. van Ekris	$ 10,000	$ 121,500
Salvatore J. Zizza	$ 14,500	$ 199,500
Total	$ 99,500	$ 1,033,876

* Represents the total compensation paid to such persons during the year ended December 31, 2009 by investment companies (including the Fund) or portfolios thereof from which such person receives compensation that are considered part of the same fund complex as the Fund because they have common or affiliated investment advisers. The total does not include, among other things, out-of-pocket Trustee expenses.

Indemnification of Officers and Trustees; Limitations on Liability

The Agreement and Declaration of Trust of the Fund provides that the Fund will indemnify its Trustees and officers and may indemnify its employees or agents against liabilities and expenses incurred in connection with litigation in which they may be involved because of their positions with the Fund to the fullest extent permitted by law. However, nothing in the Agreement and Declaration of Trust of the Fund protects or indemnifies a trustee, officer, employee or agent of the Fund against any liability to which such person would otherwise be subject in the event of such person s willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his or her position.

Investment Advisory and Administrative Arrangements

Gabelli Funds, LLC acts as the Fund s Investment Adviser pursuant to the Investment Advisory Agreement with the Fund. The Investment Adviser is a New York limited liability company with principal offices located at One Corporate Center, Rye, New York 10580-1422. The Investment Adviser was organized in 1999 and is the successor to Gabelli Funds, Inc., which was organized in 1980. As of December 31, 2009, the Investment Adviser acted as registered investment adviser to 25 management investment companies with aggregate net assets of $14.8 billion. The Investment Adviser, together with the other affiliated investment advisers noted below had assets under management totaling approximately $26.3 billion as of December 31,

Table of Contents

2009. GAMCO Asset Management Inc., an affiliate of the Investment Adviser, acts as investment adviser for individuals, pension trusts, profit sharing trusts and endowments, and as a sub adviser to management investment companies having aggregate assets of $11.2 billion under management as of December 31, 2009. Gabelli Securities, Inc., an affiliate of the Investment Adviser, acts as investment adviser for investment partnerships and entities having aggregate assets of approximately $305 million as of December 31, 2009. Gabelli Fixed Income LLC, an affiliate of the Investment Adviser, acts as investment adviser for separate accounts having aggregate assets of approximately $26 million under management as of December 31, 2009. Teton Advisors, Inc., an affiliate of the Investment Adviser, acts as investment manager to the GAMCO Westwood Funds having aggregate assets of approximately $537 million under management as of December 31, 2009.

Affiliates of the Investment Adviser may, in the ordinary course of their business, acquire for their own account or for the accounts of their investment advisory clients, significant (and possibly controlling) positions in the securities of companies that may also be suitable for investment by the Fund. The securities in which the Fund might invest may thereby be limited to some extent. For instance, many companies in the past several years have adopted so-called poison pill or other defensive measures designed to discourage or prevent the completion of non-negotiated offers for control of the company. Such defensive measures may have the effect of limiting the shares of the company which might otherwise be acquired by the Fund if the affiliates of the Investment Adviser or their investment advisory accounts have or acquire a significant position in the same securities. However, the Investment Adviser does not believe that the investment activities of its affiliates will have a material adverse effect upon the Fund in seeking to achieve its investment objectives. Securities purchased or sold pursuant to contemporaneous orders entered on behalf of the investment company accounts of the Investment Adviser or the investment advisory accounts managed by its affiliates for their unaffiliated clients are allocated pursuant to procedures, approved by the Board of Trustees, believed to be fair and not disadvantageous to any such accounts. In addition, all such orders are accorded priority of execution over orders entered on behalf of accounts in which the Investment Adviser or its affiliates have a substantial pecuniary interest. The Investment Adviser may on occasion give advice or take action with respect to other clients that differs from the actions taken with respect to the Fund. The Fund may invest in the securities of companies that are investment management clients of GAMCO Asset Management Inc. In addition, portfolio companies or their officers or directors may be minority shareholders of the Investment Adviser or its affiliates.

The Investment Adviser is a wholly-owned subsidiary of GAMCO Investors, Inc., a New York corporation, whose Class A Common Stock is traded on the New York Stock Exchange (the NYSE) under the symbol GBL. Mr. Mario J. Gabelli may be deemed a controlling person of the Investment Adviser on the basis of his ownership of a majority of the stock and voting power of GGCP, Inc., which owns a majority of the capital stock and voting power of GAMCO Investors, Inc.

Under the terms of the Investment Advisory Agreement, the Investment Adviser manages the portfolio of the Fund in accordance with its stated investment objectives and policies, makes investment decisions for the Fund, places orders to purchase and sell securities on behalf of the Fund and manages its other business and affairs, all subject to the supervision and direction of the Fund s Board of Trustees. In addition, under the Investment Advisory Agreement, the Investment Adviser oversees the administration of all aspects of the Fund s business and affairs and provides, or arranges for others to provide, at the Investment Adviser s expense, certain enumerated services, including maintaining the Fund s books and records, preparing reports to the Fund s shareholders and supervising the calculation of the net asset value of its shares. All expenses of computing the net asset value of the Fund, including any equipment or services obtained solely for the purpose of pricing shares or valuing its investment portfolio, will be an expense of the Fund under its Investment Advisory Agreement.

The Investment Advisory Agreement combines investment advisory and administrative responsibilities into one agreement. For services rendered by the Investment Adviser on behalf of the Fund under the Investment Advisory Agreement, the Fund pays the Investment Adviser a fee computed daily and paid

24

Table of Contents

monthly at the annual rate of 1.00% of the average weekly net assets of the Fund. There is no deduction for the liquidation preference of any outstanding preferred shares.

The Investment Advisory Agreement provides that, in the absence of willful misfeasance, bad faith, gross negligence or reckless disregard for its obligations and duties thereunder, the Investment Adviser is not liable for any error or judgment or mistake of law or for any loss suffered by the Fund. As part of the Investment Advisory Agreement, the Fund has agreed that the name Gabelli is the Investment Adviser s property, and that in the event the Investment Adviser ceases to act as an investment adviser to the Fund, the Fund will change its name to one not including Gabelli.

Pursuant to its terms, the Investment Advisory Agreement will remain in effect with respect to the Fund from year to year if approved annually (i) by the Fund s Board of Trustees or by the holders of a majority of its outstanding voting securities and (ii) by a majority of the Trustees who are not interested persons (as defined in the 1940 Act) of any party to the Investment Advisory Agreement, by vote cast in person at a meeting called for the purpose of voting on such approval.

The Investment Advisory Agreement was most recently approved by a majority of the Fund s Board of Trustees, including a majority of the Trustees who are not interested persons as that term is defined in the 1940 Act, at an in person meeting of the Board of Trustees held on February 26, 2009.

The Investment Advisory Agreement terminates automatically on its assignment and may be terminated without penalty on 60 days written notice at the option of either party thereto or by a vote of a majority (as defined in the 1940 Act) of the Fund s outstanding shares.

Portfolio Manager Information

Other Accounts Managed

The information below lists the number of other accounts for which each portfolio manager was primarily responsible for the day-to-day management as of the fiscal year ended December 31, 2009.

Name of Portfolio Manager or Team Member	Type of Accounts	Total Number of Accounts Managed	Total Assets	Number of Accounts Managed with Advisory Fee Based on Performance	Total Assets with Advisory fee Based on Performance
1. Caesar M.P. Bryan	Registered Investment Companies:	4	$ 670.0 million	0	$ 0
	Other Pooled Investment Vehicles:	2	$ 8.2 million	2	$ 8.2 million
	Other Accounts:	8	$ 51.7 million	0	$ 0
2. Barbara G. Marcin	Registered Investment Companies:	3	$ 1.8 billion	1	$ 1.8 billion
	Other Pooled Investment Vehicles:	1	$ 37.3K	1	$ 37.3K
	Other Accounts:	18	$ 108.3 million	0	$ 0

3. Vincent Hugonnard-Roche	Registered Investment Companies:	0	$	0	0	$	0
	Other Pooled Investment Vehicles:	1	$	16.8 million	0	$	0
	Other Accounts:	1	$	183.1K	0	$	0

Table of Contents

Potential Conflicts of Interest

Actual or apparent conflicts of interest may arise when a portfolio manager for a fund also has day-to-day management responsibilities with respect to one or more other funds or accounts. These potential conflicts include:

Allocation of Limited Time and Attention. A portfolio manager who is responsible for managing multiple funds or other accounts may devote unequal time and attention to the management of those funds or accounts. As a result, the portfolio manager may not be able to formulate as complete a strategy or identify equally attractive investment opportunities for each of those accounts as might be the case if he or she were to devote substantially more attention to the management of a single fund.

Allocation of Limited Investment Opportunities. If a portfolio manager identifies an investment opportunity that may be suitable for multiple funds or other accounts, a fund may not be able to take full advantage of that opportunity because the opportunity may be allocated among several of these funds or accounts.

Pursuit of Differing Strategies. At times, a portfolio manager may determine that an investment opportunity may be appropriate for only some of the funds or accounts for which he or she exercises investment responsibility, or may decide that certain of the funds or accounts should take differing positions with respect to a particular security. In these cases, the portfolio manager may place separate transactions for one or more funds or accounts which may affect the market price of the security or the execution of the transaction, or both, to the detriment of one or more other funds or accounts.

Selection of Broker/Dealers. Portfolio managers may be able to select or influence the selection of the brokers and dealers that are used to execute securities transactions for the funds or accounts that they supervise. In addition to providing execution of trades, some brokers and dealers provide portfolio managers with brokerage and research services which may result in the payment of higher brokerage fees than might otherwise be available. These services may be more beneficial to certain funds or accounts than to others. Although the payment of brokerage commissions is subject to the requirement that the portfolio manager determine in good faith that the commissions are reasonable in relation to the value of the brokerage and research services provided to the fund, a portfolio manager s decision as to the selection of brokers and dealers could yield disproportionate costs and benefits among the funds or other accounts that he or she manages. In addition, with respect to certain types of accounts (such as pooled investment vehicles and other accounts managed for organizations and individuals) the Investment Adviser may be limited by the client concerning the selection of brokers or may be instructed to direct trades to particular brokers. In these cases, the Investment Adviser or its affiliates may place separate, non-simultaneous transactions in the same security for a fund and another account that may temporarily affect the market price of the security or the execution of the transaction, or both, to the detriment of the fund or the other accounts.

Variation in Compensation. A conflict of interest may arise where the financial or other benefits available to the portfolio manager differ among the funds or accounts that he or she manages. If the structure of the Investment Adviser s management fee or the portfolio manager s compensation differs among funds or accounts (such as where certain funds or accounts pay higher management fees or performance-based management fees), the portfolio manager may be motivated to favor certain funds or accounts over others. The portfolio manager also may be motivated to favor funds or accounts in which he or she has an investment interest, or in which the Investment Adviser or its affiliates have investment interests. Similarly, the desire to maintain assets under management or to enhance a portfolio manager s performance record or to derive other rewards, financial or otherwise, could influence the portfolio manager in affording preferential treatment to those funds or other accounts that could most significantly benefit the portfolio manager.

The Investment Adviser and the Fund have adopted compliance policies and procedures that are designed to address the various conflicts of interest that may arise for the Investment Adviser and its staff members. However, there is no guarantee that such policies and procedures will be able to detect and prevent every situation in which an actual or potential conflict may arise.

Table of Contents

Compensation Structure

The compensation of the portfolio managers is reviewed annually and structured to enable the Investment Adviser to attract and retain highly qualified professionals in a competitive environment. The portfolio managers named above receive a compensation package that includes a minimum draw or base salary, equity-based incentive compensation via awards of stock options, and incentive based variable compensation based on a percentage of net revenues received by the Investment Adviser for managing the Fund to the extent that it exceeds a minimum level of compensation. This method of compensation is based on the premise that superior long-term performance in managing a portfolio will be rewarded through growth of assets through appreciation and cash flow. Incentive based equity compensation is based on an evaluation of quantitative and qualitative performance evaluation criteria. Mr. Hugonnard-Roche also may receive a discretionary bonus based primarily on qualitative performance evaluation criteria.

Compensation for managing other accounts is based on a percentage of net revenues received by the Investment Adviser for managing the account. Compensation for managing the pooled investment vehicles and other accounts that have a performance-based fee will have two components. One component of the fee is based on a percentage of net revenues received by the Investment Adviser for managing the account or pooled investment vehicle. The second component of the fee is based on absolute performance from which a percentage of such fee is paid to the portfolio manager.

Portfolio Holdings Information

Employees of the Investment Adviser and its affiliates will often have access to information concerning the portfolio holdings of the Fund. The Fund and the Investment Adviser have adopted policies and procedures that require all employees to safeguard proprietary information of the Fund, which includes information relating to the Fund s portfolio holdings as well as portfolio trading activity of the Investment Adviser with respect to the Fund (collectively, Portfolio Holdings Information). In addition, the Fund and the Investment Adviser have adopted policies and procedures providing that Portfolio Holdings Information may not be disclosed except to the extent that it is (a) made available to the general public by posting on the Fund s website or filed as part of a required filing on Form N-Q or N-CSR or (b) provided to a third party for legitimate business purposes or regulatory purposes, that has agreed to keep such data confidential under terms approved by the Investment Adviser s legal department or outside counsel, as described below. The Investment Adviser will examine each situation under (b) with a view to determine that release of the information is in the best interest of the Fund and their shareholders and, if a potential conflict between the Investment Adviser s interests and the Fund s interests arises, to have such conflict resolved by the Chief Compliance Officer or those Directors who are not considered to be interested persons , as defined in the 1940 Act (the Independent Directors). These policies further provide that no officer of the Fund or employee of the Investment Adviser shall communicate with the media about the Fund without obtaining the advance consent of the Chief Executive Officer, Chief Operating Officer, or General Counsel of the Investment Adviser.

Under the foregoing policies, the Fund currently may disclose Portfolio Holdings Information in the circumstances outlined below. Disclosure generally may be either on a monthly or quarterly basis with no time lag in some cases and with a time lag of up to 60 days in other cases (with the exception of proxy voting services which require a regular download of data):

(1) To regulatory authorities in response to requests for such information and with the approval of the Chief Compliance Officer of the Fund;

(2) To mutual fund rating and statistical agencies and to persons performing similar functions where there is a legitimate business purpose for such disclosure and such entity has agreed to keep such data confidential until at least

it has been made public by the Investment Adviser;

(3) To service providers of the Fund, as necessary for the performance of their services to the Fund and to the Board, where such entity has agreed to keep such data confidential until at least it has been made public by the Investment Adviser. The Fund s current service providers that may receive such

Table of Contents

information are its administrator, sub-administrator, custodian, independent registered public accounting firm, legal counsel, and financial printers;

(4) To firms providing proxy voting and other proxy services provided such entity has agreed to keep such data confidential until at least it has been made public by the Investment Adviser;

(5) To certain broker dealers, investment advisers, and other financial intermediaries for purposes of their performing due diligence on the Fund and not for dissemination of this information to their clients or use of this information to conduct trading for their clients. Disclosure of Portfolio Holdings Information in these circumstances requires the broker, dealer, investment adviser, or financial intermediary to agree to keep such information confidential until it has been made public by the Investment Adviser and is further subject to prior approval of the Chief Compliance Officer of the Fund and shall be reported to the Board at the next quarterly meeting; and

(6) To consultants for purposes of performing analysis of the Fund, which analysis may be used by the consultant with its clients or disseminated to the public, provided that such entity shall have agreed to keep such information confidential until at least it has been made public by the Investment Adviser.

As of the date of this SAI, the Fund makes information about portfolio securities available to its administrator, sub-administrator, custodian, and proxy voting services on a daily basis, with no time lag, to its typesetter on a quarterly basis with a ten day time lag, to its financial printers on a quarterly basis with a forty-five day time lag, and its independent registered public accounting firm and legal counsel on an as needed basis with no time lag. The names of the Fund s administrator, custodian, independent registered public accounting firm, and legal counsel are set forth is this SAI. The Fund s proxy voting service is Broadridge Investor Communication Services. Bowne/GCOM2 Solutions provides typesetting services for the Fund and the Fund selects from a number of financial printers who have agreed to keep such information confidential until at least it has been made public by the Investment Adviser. Other than those arrangements with the Fund s service providers and proxy voting service, the Fund has no ongoing arrangements to make available information about the Fund s portfolio securities prior to such information being disclosed in a publicly available filing with the SEC that is required to include the information.

Disclosures made pursuant to a confidentiality agreement are subject to periodic confirmation by the Chief Compliance Officer of the Fund that the recipient has utilized such information solely in accordance with the terms of the agreement. Neither the Fund, nor the Investment Adviser, nor any of the Investment Adviser s affiliates will accept on behalf of itself, its affiliates, or the Fund any compensation or other consideration in connection with the disclosure of portfolio holdings of the Fund. The Board will review such arrangements annually with the Fund s Chief Compliance Officer.

Ownership of Shares in the Fund

As of December 31, 2009, the portfolio managers of the Fund own the following amounts of equity securities of the Fund.

Caesar M.P. Bryan	$ 10,000-25,000
Barbara G. Marcin	$ 25,001-50,000
Vincent Hugonnard-Roche	$ 25,001-50,000

DIVIDENDS AND DISTRIBUTIONS

The Fund is subject to Section 19(b) of the 1940 Act and Rule 19b-1 thereunder which restricts the ability of the Fund to make distributions of long-term capital gains.

To the extent the Fund s total distributions for a year exceed its net investment company taxable income (interest, dividends and net short-term capital gains in excess of expenses) and net realized long-term capital gains for that year, the excess would generally constitute a tax-free return of capital up to the amount of a shareholder s tax basis in the common shares. Any distributions which (based upon the Fund s full year

Table of Contents

performance) constitute a tax-free return of capital would reduce a shareholder s tax basis in the common shares, thereby increasing such shareholder s potential gain or reducing his or her potential loss on the sale of the common shares. Any amounts distributed to a shareholder in excess of the basis in the common shares would generally be taxable to the shareholder as capital gain. See Taxation. Distribution notices provided by the Fund to its shareholders will clearly indicate what portion of each distribution would constitute net income, net capital gains, and return of capital based on information available to the Fund for the relevant period at the time the distribution is declared. The final determination of the source of such distributions for federal income tax purposes will be made shortly after year end based on the Fund s actual net investment company taxable income and net capital gain for that year and would be communicated to shareholders promptly. In the event that the Fund distributes amounts in excess of its investment company taxable income and net capital gain, such distributions will decrease the Fund s total assets and, therefore, have the likely effect of increasing the Fund s expense ratio, as the Fund s fixed expenses will become a larger percentage of the Fund s average net assets. In addition, in order to make such distributions, the Fund may have to sell a portion of its investment portfolio at a time when independent investment judgment may not dictate such action.

PORTFOLIO TRANSACTIONS

Subject to policies established by the Board of Trustees of the Fund, the Investment Adviser is responsible for placing purchase and sale orders and the allocation of brokerage on behalf of the Fund. Transactions in equity securities are in most cases effected on U.S. stock exchanges and involve the payment of negotiated brokerage commissions. There may be no stated commission in the case of securities traded in over-the-counter markets, but the prices of those securities may include undisclosed commissions or mark-ups. Principal transactions are not entered into with affiliates of the Fund. However, Gabelli & Company, Inc. may execute transactions in the over-the-counter markets on an agency basis and receive a stated commission therefrom. To the extent consistent with applicable provisions of the 1940 Act and the rules and exemptions adopted by the SEC thereunder, as well as other regulatory requirements, the Fund s Board of Trustees has determined that portfolio transactions may be executed through Gabelli & Company, Inc. and its broker-dealer affiliates if, in the judgment of the Investment Adviser, the use of those broker-dealers is likely to result in price and execution at least as favorable as those of other qualified broker-dealers, and if, in particular transactions, the affiliated broker-dealers charge the Fund a rate consistent with that charged to comparable unaffiliated customers in similar transactions and comparable to rates charged by other broker-dealers for similar transactions. The Fund has no obligations to deal with any broker or group of brokers in executing transactions in portfolio securities. In executing transactions, the Investment Adviser seeks to obtain the best price and execution for the Fund, taking into account such factors as price, size of order, difficulty of execution and operational facilities of the firm involved and the firm s risk in positioning a block of securities. While the Investment Adviser generally seeks reasonably competitive commission rates, the Fund does not necessarily pay the lowest commission available.

Subject to obtaining the best price and execution, brokers who provide supplemental research, market and statistical information, or other services (e.g., wire services) to the Investment Adviser or its affiliates may receive orders for transactions by the Fund. The term research, market and statistical information includes advice as to the value of securities, and advisability of investing in, purchasing or selling securities, and the availability of securities or purchasers or sellers of securities, and furnishing analyses and reports concerning issues, industries, securities, economic factors and trends, portfolio strategy and the performance of accounts. Information so received will be in addition to and not in lieu of the services required to be performed by the Investment Adviser under the Investment Advisory Agreement and the expenses of the Investment Adviser will not necessarily be reduced as a result of the receipt of such supplemental information. Such information may be useful to the Investment Adviser and its affiliates in providing services to clients other than the Fund, and not all such information is used by the Investment Adviser in connection with the Fund. Conversely, such information provided to the Investment Adviser and its affiliates by brokers and dealers through whom other

Table of Contents

clients of the Investment Adviser and its affiliates effect securities transactions may be useful to the Investment Adviser in providing services to the Fund.

Although investment decisions for the Fund are made independently from those for the other accounts managed by the Investment Adviser and its affiliates, investments of the kind made by the Fund may also be made for those other accounts. When the same securities are purchased for or sold by the Fund and any of such other accounts, it is the policy of the Investment Adviser and its affiliates to allocate such purchases and sales in a manner deemed fair and equitable over time to all of the accounts, including the Fund.

PORTFOLIO TURNOVER

Portfolio turnover rate is calculated by dividing the lesser of an investment company s annual sales or purchases of portfolio securities by the monthly average value of securities in its portfolio during the year, excluding portfolio securities the maturities of which at the time of acquisition were one year or less. A high rate of portfolio turnover involves correspondingly greater brokerage commission expense than a lower rate, which expense must be borne by the Fund and indirectly by its shareholders. The portfolio turnover rate may vary from year to year and will not be a factor when the Investment Adviser determines that portfolio changes are appropriate. For example, an increase in the Fund s participation in risk arbitrage situations would increase the Fund s portfolio turnover rate. A higher rate of portfolio turnover may also result in taxable gains being passed to shareholders sooner than would otherwise be the case. The investment policies of the Fund, including its strategy of writing covered call options on securities in its portfolio, is expected to result in portfolio turnover that is higher than that of other investment companies, and is expected to be higher than 100%. For the years ending December 31, 2008 and 2009, the portfolio turnover rates were 41.5% and 61.0%, respectively.

TAXATION

The following discussion is a brief summary of certain U.S. federal income tax considerations affecting the Fund and the purchase, ownership and disposition of the Fund s shares. This discussion assumes you are a U.S. person and that you hold your shares as capital assets. This discussion is based upon current provisions of the Internal Revenue Code of 1986, as amended (the Code), the regulations promulgated thereunder and judicial and administrative authorities, all of which are subject to change or differing interpretations by the courts or the Internal Revenue Service (the IRS), possibly with retroactive effect. No ruling has been or will be sought from the IRS regarding any matter discussed herein. Counsel to the Fund has not rendered and will not render any legal opinion regarding any tax consequences relating to the Fund or an investment in the Fund. No attempt is made to present a detailed explanation of all U.S. federal tax concerns affecting the Fund and its shareholders (including shareholders owning large positions in the Fund).

The discussions set forth herein and in the prospectus do not constitute tax advice and potential investors are urged to consult their own tax advisers to determine the tax consequences to them of investing in the Fund.

Taxation of the Fund

The Fund has elected to be treated and has qualified, and intends to continue to qualify annually, as a regulated investment company under Subchapter M of the Code. Accordingly, the Fund must, among other things, meet the following requirements regarding the source of its income and the diversification of its assets:

(i) The Fund must derive in each taxable year at least 90% of its gross income from the following sources, which are referred to herein as Qualifying Income : (a) dividends, interest (including tax-exempt interest), payments with respect to certain securities loans, and gains from the sale or other disposition of stock, securities or foreign currencies, or

other income (including but not limited to gain from options, futures and forward contracts) derived with respect to its business of investing in such stock, securities or foreign currencies; and (b) interests in publicly traded partnerships that are treated as

partnerships for U.S. federal income tax purposes and that derive less than 90% of their gross income from the items described in (a) above (each a Qualified Publicly Traded Partnership).

(ii) The Fund must diversify its holdings so that, at the end of each quarter of each taxable year (a) at least 50% of the market value of the Fund s total assets is represented by cash and cash items, U.S. government securities, the securities of other regulated investment companies and other securities, with such other securities limited, in respect of any one issuer, to an amount not greater than 5% of the value of the Fund s total assets and not more than 10% of the outstanding voting securities of such issuer and (b) not more than 25% of the market value of the Fund s total assets is invested in the securities (other than U.S. government securities and the securities of other regulated investment companies) of (I) any one issuer, (II) any two or more issuers that the Fund controls and that are determined to be engaged in the same business or similar or related trades or businesses or (III) any one or more Qualified Publicly Traded Partnerships.

Income from the Fund s investments in grantor trusts and equity interest of MLPs that are not Qualified Publicly Traded Partnerships (if any) will be Qualifying Income to the extent it is attributable to items of income of such trust or MLP that would be Qualifying Income if earned directly by the Fund.

The Fund s investments in partnerships, including in Qualified Publicly Traded Partnerships, may result in the Fund being subject to state, local or foreign income, franchise or withholding tax liabilities.

As a regulated investment company, the Fund generally will not be subject to U.S. federal income tax on income and gains that the Fund distributes to its shareholders, provided that it distributes each taxable year at least the sum of (i) 90% of the Fund s investment company taxable income (which includes, among other items, dividends, interest and the excess of any net short-term capital gain over net long-term capital loss and other taxable income, other than any net long-term capital gain, reduced by deductible expenses) determined without regard to the deduction for dividends paid and (ii) 90% of the Fund s net tax-exempt interest income (the excess of its gross tax-exempt interest over certain disallowed deductions). The Fund intends to distribute substantially all of such income at least annually. The Fund will be subject to income tax at regular corporation rates on any taxable income or gains that it does not distribute to its shareholders.

The Code imposes a 4% nondeductible excise tax on the Fund to the extent the Fund does not distribute by the end of any calendar year an amount at least equal to the sum of (i) 98% of its ordinary income (not taking into account any capital gain or loss) for the calendar year, (ii) 98% of its capital gain in excess of its capital loss (adjusted for certain ordinary losses) for a one-year period generally ending on October 31 of the calendar year (unless an election is made to use the Fund s fiscal year), (iii) certain undistributed amounts from previous years on which the Fund paid no U.S. federal income tax. In addition, the minimum amounts that must be distributed in any year to avoid the excise tax will be increased or decreased to reflect any under-distribution or over-distribution, as the case may be, from the previous year. While the Fund intends to distribute any income and capital gain in the manner necessary to minimize imposition of the 4% excise tax, there can be no assurance that sufficient amounts of the Fund s taxable income and capital gain will be distributed to entirely avoid the imposition of the excise tax. In that event, the Fund will be liable for the excise tax only on the amount by which it does not meet the foregoing distribution requirement.

A distribution will be treated as paid during the calendar year if it is paid during the calendar year or declared by the Fund in October, November or December of the year, payable to shareholders of record on a date during such a month and paid by the Fund during January of the following year. Any such distributions paid during January of the following year will be deemed to be received by the Fund s shareholders on December 31 of the year the distributions are declared, rather than when the distributions are actually received.

If for any taxable year the Fund does not qualify as a regulated investment company, all of its taxable income (including its net capital gain) will be subject to tax at regular corporate rates without any deduction for distributions to shareholders, and such distributions will be taxable to the shareholders as ordinary dividends to the extent of the Fund s current or accumulated earnings and profits. Such dividends, however,

Table of Contents

would be eligible (i) to be treated as qualified dividend income in the case of shareholders taxed as individuals and (ii) for the dividends received deduction in the case of corporate shareholders. The Fund could be required to recognize unrealized gains, pay taxes and make distributions (which could be subject to interest charges) before requalifying for taxation as a regulated investment company. If the Fund fails to qualify as a regulated investment company in any year, it must pay out its earnings and profits accumulated in that year in order to qualify again as a regulated investment company. If the Fund failed to qualify as a regulated investment company for a period greater than two taxable years, the Fund may be required to recognize and pay tax on any net built-in gains with respect to certain of its assets (i.e., the excess of the aggregate gains, including items of income, over aggregate losses that would have been realized with respect to such assets if the Fund had been liquidated) or, alternatively, to elect to be subject to taxation on such built-in gain recognized for a period of ten years, in order to qualify as a regulated investment company in a subsequent year.

Certain of the Fund s investment practices are subject to special and complex United States federal income tax provisions that may, among other things, (i) disallow, suspend or otherwise limit the allowance of certain losses or deductions, (ii) convert lower taxed long-term capital gains and qualified dividend income into higher taxed short-term capital gains or ordinary income, (iii) convert ordinary loss or a deduction into capital loss (the deductibility of which is more limited), (iv) cause the Fund to recognize income or gain without a corresponding receipt of cash, (v) adversely affect the time as to when a purchase or sale of stock or securities is deemed to occur, (vi) adversely alter the characterization of certain complex financial transactions and (vii) produce income that will not qualify as good income for purposes of the 90% annual gross income requirement described above. The Fund will monitor its transactions and may make certain tax elections and may be required to borrow money or dispose of securities to mitigate the effect of these rules and prevent disqualification of the Fund as a regulated investment company.

The MLPs in which the Fund intends to invest are expected to be treated as partnerships for U.S. federal income tax purposes. The cash distributions received by the Fund from an MLP may not correspond to the amount of income allocated to the Fund by the MLP in any given taxable year. If the amount of income allocated by an MLP to the Fund exceeds the amount of cash received by the Fund from such MLP, the Fund may have difficulty making distributions to its shareholders in the amounts necessary to satisfy the requirements for maintaining its status as a regulated investment company or avoiding U.S. federal income or excise taxes. Accordingly, the Fund may have to dispose of securities under disadvantageous circumstances in order to generate sufficient cash to satisfy the distribution requirements.

The Fund expects that the income derived by the Fund from the MLPs in which it invests will be Qualifying Income. If, however, an MLP in which the Fund invests is not a Qualified Publicly Traded Partnership, the income derived by the Fund from such investment may not be Qualifying Income and, therefore, could adversely affect the Fund s status as a regulated investment company. The Fund intends to monitor its investments in MLPs to prevent the disqualification of the Fund as a regulated investment company.

The U.S. tax classification of the Canadian Royalty Trusts in which the Fund invests and the types of income that the Fund receives may have an impact on the Fund s ability to qualify as a regulated investment company. In particular, securities issued by certain Canadian Royalty Trusts (such as Canadian Royalty Trusts which are grantor trusts for U.S. federal income tax purposes) may not produce qualified income for purposes of determining the Fund s compliance with the tax rules applicable to regulated investment companies. Additionally, the Fund may be deemed to directly own the assets of each Canadian Royalty Trust, and would need to look to such assets when determining the Fund s compliance with the asset diversification rules applicable to regulated investment companies. To the extent that the Fund holds such securities indirectly through investments in a taxable subsidiary formed by the Fund, those securities may produce qualified income. However, the net return to the Fund on such investments would be reduced to the extent that the subsidiary is subject to corporate income taxes. The Fund shall monitor its investments in the

Canadian Royalty Trusts with the objective of maintaining its continued qualification as a regulated investment company.

Table of Contents

Gain or loss on the sales of securities by the Fund will generally be long-term capital gain or loss if the securities have been held by the Fund for more than one year. Gain or loss on the sale of securities held for one year or less will be short-term capital gain or loss.

The premium received by the Fund for writing a call option is not included in income at the time of receipt. If the option expires, the premium is short-term capital gain to the Fund. If the Fund enters into a closing transaction, the difference between the amount paid to close out its position and the premium received is short-term capital gain or loss. If a call option written by the Fund is exercised, thereby requiring the Fund to sell the underlying security, the premium will increase the amount realized upon the sale of the security and any resulting gain or loss will be long-term or short-term, depending upon the holding period of the security. With respect to a put or call option that is purchased by the Fund, if the option is sold, any resulting gain or loss will be a capital gain or loss, and will be short-term or long-term, depending upon the holding period for the option. If the option expires, the resulting loss is a capital loss and is short-term or long-term, depending upon the holding period for the option. If the option is exercised, the cost of the option, in the case of a call option, is added to the basis of the purchased security and, in the case of a put option, reduces the amount realized on the underlying security in determining gain or loss. Because the Fund does not have control over the exercise of the call options it writes, such exercises or other required sales of the underlying securities may cause the Fund to realize capital gains or losses at inopportune times.

The Fund s transactions in foreign currencies, forward contracts, options, futures contracts (including options and futures contracts on foreign currencies) and short sales, to the extent permitted, will be subject to special provisions of the Code (including provisions relating to hedging transactions, straddles and constructive sales) that may, among other things, affect the character of gains and losses realized by the Fund (i.e., may affect whether gains or losses are ordinary or capital), accelerate recognition of income to the Fund and defer Fund losses. These rules could therefore affect the character, amount and timing of distributions to common shareholders. Certain of these provisions may also (a) require the Fund to mark-to-market certain types of the positions in its portfolio (i.e., treat them as if they were closed out at the end of each year), (b) cause the Fund to recognize income without receiving cash with which to pay dividends or make distributions in amounts necessary to satisfy the distribution requirements for avoiding income and excise taxes, (c) treat dividends that would otherwise constitute qualified dividend income as non-qualified dividend income and (d) treat dividends that would otherwise be eligible for the corporate dividends-received deduction as ineligible for such treatment.

The Fund s investment in so-called section 1256 contracts, such as regulated futures contracts, most foreign currency forward contracts traded in the interbank market and options on most stock indices, are subject to special tax rules. All section 1256 contracts held by the Fund at the end of its taxable year are required to be marked to their market value, and any unrealized gain or loss on those positions will be included in the Fund s income as if each position had been sold for its fair market value at the end of the taxable year. The resulting gain or loss will be combined with any gain or loss realized by the Fund from positions in section 1256 contracts closed during the taxable year. Provided such positions were held as capital assets and were not part of a hedging transaction nor part of a straddle, 60% of the resulting net gain or loss will be treated as long-term capital gain or loss, and 40% of such net gain or loss will be treated as short-term capital gain or loss, regardless of the period of time the positions were actually held by the Fund.

If the Fund purchases shares in certain foreign investment entities, called passive foreign investment companies (PFICs), the Fund may be subject to U.S. federal income tax on a portion of any excess distribution or gain from the disposition of such shares even if such income is distributed as a taxable dividend by the Fund to the shareholders. Additional charges in the nature of interest may be imposed on the Fund in respect of deferred taxes arising from such distributions or gains. Elections may be available to the Fund to mitigate the effect of this tax, but such elections generally accelerate the recognition of income without the receipt of cash. Dividends paid by PFICs are not treated as qualified dividend income, as discussed below under Taxation of Shareholders.

33

Table of Contents

If the Fund invests in the stock of a PFIC, or any other investment that produces income that is not matched by a corresponding cash distribution to the Fund, the Fund could be required to recognize income that it has not yet received. Any such income would be treated as income earned by the Fund and therefore would be subject to the distribution requirements of the Code. This might prevent the Fund from distributing 90% of its net investment income as is required in order to avoid Fund-level U.S. federal income taxation on all of its income, or might prevent the Fund from distributing enough ordinary income and capital gain net income to avoid completely the imposition of the excise tax. To avoid this result, the Fund may be required to borrow money or dispose of securities to be able to make required distributions to the shareholders.

The Fund may invest in debt obligations purchased at a discount with the result that the Fund may be required to accrue income for U.S. federal income tax purposes before amounts due under the obligations are paid. The Fund may also invest in securities rated in the medium to lower rating categories of nationally recognized rating organizations, and in unrated securities (high yield securities). A portion of the interest payments on such high yield securities may be treated as dividends for certain U.S. federal income tax purposes.

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

Dividends or other income (including, in some cases, capital gains) received by the Fund from investments in foreign securities may be subject to withholding and other taxes imposed by foreign countries. Tax conventions between certain countries and the U.S. may reduce or eliminate such taxes in some cases. If more than 50% of the Fund s total assets at the close of its taxable year consists of stock or securities of foreign corporations, the Fund may elect for U.S. federal income tax purposes to treat foreign income taxes paid by it as paid by its shareholders. The Fund may qualify for and make this election in some, but not necessarily all, of its taxable years. If the Fund were to make such an election, shareholders of the Fund would be required to take into account an amount equal to their pro rata portions of such foreign taxes in computing their taxable income and then treat an amount equal to those foreign taxes as a U.S. federal income tax deduction or as a foreign tax credit against their U.S. federal income liability. Shortly after any year for which it makes such an election, the Fund will report to its shareholders the amount per share of such foreign income tax that must be included in each shareholder s gross income and the amount that may be available for the deduction or credit.

Taxation of Shareholders

The Fund will either distribute or retain for reinvestment all or part of its net capital gain. If any such gain is retained, the Fund will be subject to a tax of 35% of such amount. In that event, the Fund expects to designate the retained amount as undistributed capital gain in a notice to its shareholders, each of whom (i) will be required to include in income for tax purposes as long-term capital gain its share of such undistributed amounts, (ii) will be entitled to credit its proportionate share of the tax paid by the Fund against its U.S. federal income tax liability and to claim refunds to the extent that the credit exceeds such liability and (iii) will increase its basis in its common shares of the Fund by an amount equal to 65% of the amount of undistributed capital gain included in such shareholder s gross income.

Distributions paid by the Fund from its investment company taxable income, which includes net short-term capital gain, generally are taxable as ordinary income to the extent of the Fund s earnings and profits. Such distributions (if designated by the Fund) may, however, qualify (provided holding period and other requirements are met by both the Fund and the shareholder) (i) for the dividends received deduction available to corporations, but only to the extent that

the Fund s income consists of dividend income from U.S. corporations and (ii) in the case of individual shareholders, as qualified dividend income eligible to be

Table of Contents

taxed at a maximum rate of generally 15% (5% for individuals in lower tax brackets) to the extent that the Fund receives qualified dividend income. If the Fund s qualified dividend income is less than 95% of its gross income, a shareholder of the Fund may only include as qualified dividend income that portion of the dividends that may be and are so designated by the Fund as qualified dividend income. These special rules relating to the taxation of ordinary income dividends paid by RICs to individual taxpayers generally apply to taxable years beginning on or before December 31, 2010. Thereafter, the Fund s dividends, other than capital gains dividends, will be fully taxable at ordinary income rates unless further Congressional action is taken. There can be no assurance as to what portion of the Fund s distributions will qualify for favorable treatment as qualified dividend income.

Qualified dividend income is, in general, dividend income from taxable domestic corporations and certain qualified foreign corporations (e.g., generally, foreign corporations incorporated in a possession of the United States or in certain countries with a qualifying comprehensive tax treaty with the United States, or whose stock with respect to which such dividend is paid is readily tradable on an established securities market in the United States). A qualified foreign corporation does not include a foreign corporation that for the taxable year of the corporation in which the dividend was paid, or the preceding taxable year, is a passive foreign investment company, as defined in the Code. If the Fund lends portfolio securities, the amount received by the Fund that is the equivalent of the dividends paid by the issuer on the securities loaned will not be eligible for qualified dividend income treatment.

Distributions of net capital gain designated as capital gain distributions, if any, are taxable to shareholders at rates applicable to long-term capital gain, whether paid in cash or in stock, and regardless of how long the shareholder has held the Fund s common shares. Capital gain distributions are not eligible for the dividends received deduction. The maximum U.S. federal tax rate on net long-term capital gain of individuals is generally 15% (5% for individuals in lower brackets) for such gain realized before January 1, 2011. Unrecaptured Section 1250 gain distributions, if any, will be subject to a 25% tax. For non-corporate taxpayers, investment company taxable income (other than qualified dividend income) will currently be taxed at a maximum rate of 35%, while net capital gain generally will be taxed at a maximum rate of 15%. For corporate taxpayers, both investment company taxable income and net capital gain are taxed at a maximum rate of 35%.

If, for any calendar year, the total distributions exceed both current earnings and profits and accumulated earnings and profits, the excess will generally be treated as a tax-free return of capital up to the amount of a shareholder s tax basis in the common shares. The amount treated as a tax-free return of capital will reduce a shareholder s tax basis in the common shares, thereby increasing such shareholder s potential gain or reducing his or her potential loss on the sale of the common shares. Any amounts distributed to a shareholder in excess of his or her basis in the common shares will be taxable to the shareholder as capital gain (assuming your common shares are held as a capital asset).

Shareholders may be entitled to offset their capital gain distributions (but not distributions eligible for qualified dividend income treatment) with capital loss. There are a number of statutory provisions affecting when capital loss may be offset against capital gain, and limiting the use of loss from certain investments and activities. Accordingly, shareholders with capital loss are urged to consult their tax advisers.

An investor should be aware that if Fund common shares are purchased shortly before the record date for any taxable distribution (including a capital gain dividend), the purchase price likely will reflect the value of the distribution and the investor then would receive a taxable distribution that is likely to reduce the trading value of such Fund common shares, in effect resulting in a taxable return of some of the purchase price.

Certain types of income received by the Fund from real estate investment trusts (REITs), real estate mortgage investment conduits (REMICs), taxable mortgage pools or other investments may cause the Fund to designate some or all of its distributions as excess inclusion income. To Fund shareholders such excess inclusion income will (i) constitute taxable income, as unrelated business taxable income (UBTI) for those shareholders who would

otherwise be tax-exempt such as individual retirement accounts, 401(k) accounts, Keogh plans, pension plans and certain charitable entities; (ii) not be offset against net operating losses for tax

purposes; (iii) not be eligible for reduced U.S. withholding for non-U.S. shareholders even from tax treaty countries; and (iv) cause the Fund to be subject to tax if certain disqualified organizations, as defined by the Code (such as certain governments or governmental agencies and charitable remainder trusts), are Fund shareholders.

Upon a sale, exchange or other disposition of common shares, a shareholder will generally realize a taxable gain or loss equal to the difference between the amount of cash and the fair market value of other property received and the shareholder s adjusted tax basis in the common shares. Such gain or loss will be treated as long-term capital gain or loss if the common shares have been held for more than one year. Any loss realized on a sale or exchange of common shares of the Fund will be disallowed to the extent the common shares disposed of are replaced by substantially identical common shares within a 61 day period beginning 30 days before and ending 30 days after the date that the common shares are disposed of. In such a case, the basis of the common shares acquired will be adjusted to reflect the disallowed loss.

Any loss realized by a shareholder on the sale of Fund common shares held by the shareholder for six months or less will be treated for tax purposes as a long-term capital loss to the extent of any capital gain distributions received by the shareholder (or amounts credited to the shareholder as an undistributed capital gain) with respect to such common shares.

Ordinary income distributions and capital gain distributions also may be subject to state and local taxes. Shareholders are urged to consult their own tax advisers regarding specific questions about U.S. federal (including the application of the alternative minimum tax rules), state, local or foreign tax consequences to them of investing in the Fund.

A shareholder that is a nonresident alien individual or a foreign corporation (a foreign investor) generally will be subject to U.S. withholding tax at the rate of 30% (or possibly a lower rate provided by an applicable tax treaty) on ordinary income dividends (except as discussed below). Different tax consequences may result if the foreign investor is engaged in a trade or business in the United States or, in the case of an individual, is present in the United States for 183 days or more during a taxable year and certain other conditions are met. Foreign investors should consult their tax advisors regarding the tax consequences of investing in the Fund s common shares.

In general, U.S. federal withholding tax will not apply to any gain or income realized by a foreign investor in respect of any distributions of net long-term capital gains over net short-term capital losses, exempt-interest dividends, or upon the sale or other disposition of common shares of the Fund.

Foreign investors should contact their intermediaries with respect to the application of these rules to their accounts. There can be no assurance as to what portion of the Fund s distributions will qualify for favorable treatment as qualified net interest income or qualified short-term capital gains.

Backup Withholding

The Fund may be required to withhold U.S. federal income tax on all taxable distributions and redemption proceeds payable to non-corporate shareholders who fail to provide the Fund with their correct taxpayer identification number or to make required certifications, or who have been notified by the IRS that they are subject to backup withholding. Backup withholding is not an additional tax. Any amounts withheld may be refunded or credited against such shareholder s U.S. federal income tax liability, if any, provided that the required information is furnished to the IRS.

The foregoing is a general and abbreviated summary of the applicable provisions of the Code and Treasury regulations presently in effect. For the complete provisions, reference should be made to the pertinent Code sections and the Treasury regulations promulgated thereunder. The Code and the Treasury regulations are subject to change by legislative, judicial or administrative action, either prospectively or retroactively. Persons considering

an investment in shares of the Fund should consult their own tax advisers regarding the purchase, ownership and disposition of Fund shares.

Table of Contents

GENERAL INFORMATION

Book-Entry-Only Issuance

The Depository Trust Company (DTC) will act as securities depository for the common shares offered pursuant to the prospectus. The information in this section concerning DTC and DTC s book-entry system is based upon information obtained from DTC. The securities offered hereby initially will be issued only as fully-registered securities registered in the name of Cede & Co. (as nominee for DTC). One or more fully-registered global security certificates initially will be issued, representing in the aggregate the total number of securities, and deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code and a clearing agency registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants deposit with DTC. DTC also facilities the settlement among participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in participants accounts, thereby eliminating the need for physical movement of securities certificates. Direct DTC participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly through other entities.

Purchases of securities within the DTC system must be made by or through direct participants, which will receive a credit for the securities on DTC s records. The ownership interest of each actual purchaser of a security, a beneficial owner, is in turn to be recorded on the direct or indirect participants records. Beneficial owners will not receive written confirmation from DTC of their purchases, but beneficial owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the direct or indirect participants through which the beneficial owners purchased securities. Transfers of ownership interests in securities are to be accomplished by entries made on the books of participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interests in securities, except as provided herein.

DTC has no knowledge of the actual beneficial owners of the securities being offered pursuant to the prospectus; DTC s records reflect only the identity of the direct participants to whose accounts such securities are credited, which may or may not be the beneficial owners. The participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants, and by direct participants and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Payments on the securities will be made to DTC. DTC s practice is to credit direct participants accounts on the relevant payment date in accordance with their respective holdings shown on DTC s records unless DTC has reason to believe that it will not receive payments on such payment date. Payments by participants to beneficial owners will be governed by standing instructions and customary practices and will be the responsibility of such participant and not of DTC or the Fund, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of distributions to DTC is the responsibility of the Fund, disbursement of such payments to direct participants is the responsibility of DTC, and disbursement of such payments to the beneficial owners is the responsibility of direct and indirect participants. Furthermore each beneficial owner must rely on the procedures of DTC to exercise any rights

under the securities.

Table of Contents

DTC may discontinue providing its services as securities depository with respect to the securities at any time by giving reasonable notice to the Fund. Under such circumstances, in the event that a successor securities depository is not obtained, certificates representing the securities will be printed and delivered.

Proxy Voting Procedures

The Fund has adopted the proxy voting procedures of the Investment Adviser and has directed the Investment Adviser to vote all proxies relating to the Fund s voting securities in accordance with such procedures. The proxy voting procedures are attached. They are also on file with the SEC and can be reviewed and copied at the SEC s Public Reference Room in Washington, D.C., and information on the operation of the Public Reference Room may be obtained by calling the SEC at 202-551-8090. The proxy voting procedures are also available on the EDGAR Database on the SEC s internet site (http://www.sec.gov) and copies of the proxy voting procedures may be obtained, after paying a duplicating fee, by electronic request at the follow E-mail address: publicinfo@sec.gov, or by writing the SEC s Public Reference Section, Washington, D.C. 20549-0102.

Code of Ethics

The Fund and the Investment Adviser have adopted a code of ethics. This code of ethics sets forth restrictions on the trading activities of Trustees/directors, officers and employees of the Fund, the Investment Adviser and their affiliates. For example, such persons may not purchase any security for which the Fund has a purchase or sale order pending, or for which such trade is under consideration. In addition, those trustees/directors, officers and employees that are principally involved in investment decisions for client accounts are prohibited from purchasing or selling for their own account for a period of seven days a security that has been traded for a client s account, unless such trade is executed on more favorable terms for the client s account and it is determined that such trade will not adversely affect the client s account. Short-term trading by such Trustee/directors, officers and employees for their own accounts in securities held by a Fund client s account is also restricted. The above examples are subject to certain exceptions and they do not represent all of the trading restrictions and policies set forth by the code of ethics. The code of ethics is on file with the SEC and can be reviewed and copied at the SEC s Public Reference Room in Washington, D.C., and information on the operation of the Public Reference Room may be obtained by calling the SEC at (202) 942-8090. The code of ethics is also available on the EDGAR Database on the SEC s Internet site at http://www.sec.gov, and copies of the code of ethics may be obtained, after paying a duplicating fee, by electronic request at the following E-mail address: publicinfo@sec.gov, or by writing the SEC s Public Reference Section, Washington, D.C. 20549-0102.

Joint Code of Ethics for Chief Executive and Senior Financial Officers

The Fund and the Investment Adviser have adopted a joint Code of Ethics that serves as a code of conduct. The Code of Ethics sets forth policies to guide the chief executive and senior financial officers in the performance of their duties. The code of ethics is on file with the SEC and can be reviewed and copied at the SEC s Public Reference Room in Washington, D.C., and information on the operation of the Public Reference Room may be obtained by calling the SEC at 202-551-8090. The Code of Ethics is also available on the EDGAR Database on the SEC s Internet site (http://www.sec.gov), and copies of the Code of Ethics may be obtained, after paying a duplicating fee, by electronic request at the following E-mail address: publicinfo@sec.gov, or by writing the SEC s Public Reference Section, Washington, D.C. 20549-0102.

Financial Statements

The audited financial statements included in the annual report to the Fund s shareholders for the year ended December 31, 2009 and together with the report of PricewaterhouseCoopers LLP for the Fund s annual report, are incorporated herein by reference to the Fund s annual report to shareholders. All other portions of the annual report to

shareholders are not incorporated herein by reference and are not part of the registration statement, the SAI, the Prospectus or any Prospectus Supplement.

Table of Contents

APPENDIX A

GAMCO INVESTORS, INC. AND AFFILIATES

THE VOTING OF PROXIES ON BEHALF OF CLIENTS

Rules 204(4)-2 and 204-2 under the Investment Advisers Act of 1940 and Rule 30b1-4 under the Investment Company Act of 1940 require investment advisers to adopt written policies and procedures governing the voting of proxies on behalf of their clients.

These procedures will be used by GAMCO Asset Management Inc., Gabelli Funds, LLC, Gabelli Securities, Inc., and Teton Advisors, Inc. (collectively, the Advisers) to determine how to vote proxies relating to portfolio securities held by their clients, including the procedures that the Advisers use when a vote presents a conflict between the interests of the shareholders of an investment company managed by one of the Advisers, on the one hand, and those of the Advisers; the principal underwriter; or any affiliated person of the investment company, the Advisers, or the principal underwriter. These procedures will not apply where the Advisers do not have voting discretion or where the Advisers have agreed to with a client to vote the client s proxies in accordance with specific guidelines or procedures supplied by the client (to the extent permitted by ERISA).

I. Proxy Voting Committee

The Proxy Voting Committee was originally formed in April 1989 for the purpose of formulating guidelines and reviewing proxy statements within the parameters set by the substantive proxy voting guidelines originally published in 1988 and updated periodically, a copy of which are appended as Exhibit A. The Committee will include representatives of Research, Administration, Legal, and the Advisers. Additional or replacement members of the Committee will be nominated by the Chairman and voted upon by the entire Committee.

Meetings are held on an as needed basis to form views on the manner in which the Advisers should vote proxies on behalf of their clients.

In general, the Director of Proxy Voting Services, using the Proxy Guidelines, recommendations of Institutional Shareholder Corporate Governance Service (ISS), other third-party services and the analysts of Gabelli & Company, Inc., will determine how to vote on each issue. For non-controversial matters, the Director of Proxy Voting Services may vote the proxy if the vote is (1) consistent with the recommendations of the issuer s Board of Directors and not contrary to the Proxy Guidelines; (2) consistent with the recommendations of the issuer s Board of Directors and is a non-controversial issue not covered by the Proxy Guidelines; or (3) the vote is contrary to the recommendations of the Board of Directors but is consistent with the Proxy Guidelines. In those instances, the Director of Proxy Voting Services or the Chairman of the Committee may sign and date the proxy statement indicating how each issue will be voted.

All matters identified by the Chairman of the Committee, the Director of Proxy Voting Services or the Legal Department as controversial, taking into account the recommendations of ISS or other third party services and the analysts of Gabelli & Company, Inc., will be presented to the Proxy Voting Committee. If the Chairman of the Committee, the Director of Proxy Voting Services or the Legal Department has identified the matter as one that (1) is controversial; (2) would benefit from deliberation by the Proxy Voting Committee; or (3) may give rise to a conflict of interest between the Advisers and their clients, the Chairman of the Committee will initially determine what vote to recommend that the Advisers should cast and the matter will go before the Committee.

A. Conflicts of Interest.

The Advisers have implemented these proxy voting procedures in order to prevent conflicts of interest from influencing their proxy voting decisions. By following the Proxy Guidelines, as well as the recommendations of ISS, other third-party services and the analysts of Gabelli & Company, the Advisers are

able to avoid, wherever possible, the influence of potential conflicts of interest. Nevertheless, circumstances may arise in which one or more of the Advisers are faced with a conflict of interest or the appearance of a conflict of interest in connection with its vote. In general, a conflict of interest may arise when an Adviser knowingly does business with an issuer, and may appear to have a material conflict between its own interests and the interests of the shareholders of an investment company managed by one of the Advisers regarding how the proxy is to be voted. A conflict also may exist when an Adviser has actual knowledge of a material business arrangement between an issuer and an affiliate of the Adviser.

In practical terms, a conflict of interest may arise, for example, when a proxy is voted for a company that is a client of one of the Advisers, such as GAMCO Asset Management Inc. A conflict also may arise when a client of one of the Advisers has made a shareholder proposal in a proxy to be voted upon by one or more of the Advisers. The Director of Proxy Voting Services, together with the Legal Department, will scrutinize all proxies for these or other situations that may give rise to a conflict of interest with respect to the voting of proxies.

B. Operation of Proxy Voting Committee

For matters submitted to the Committee, each member of the Committee will receive, prior to the meeting, a copy of the proxy statement, any relevant third party research, a summary of any views provided by the Chief Investment Officer and any recommendations by Gabelli & Company, Inc. analysts. The Chief Investment Officer or the Gabelli & Company, Inc. analysts may be invited to present their viewpoints. If the Director of Proxy Voting Services or the Legal Department believe that the matter before the committee is one with respect to which a conflict of interest may exist between the Advisers and their clients, counsel will provide an opinion to the Committee concerning the conflict. If the matter is one in which the interests of the clients of one or more of Advisers may diverge, counsel will so advise and the Committee may make different recommendations as to different clients. For any matters where the recommendation may trigger appraisal rights, counsel will provide an opinion concerning the likely risks and merits of such an appraisal action.

Each matter submitted to the Committee will be determined by the vote of a majority of the members present at the meeting. Should the vote concerning one or more recommendations be tied in a vote of the Committee, the Chairman of the Committee will cast the deciding vote. The Committee will notify the proxy department of its decisions and the proxies will be voted accordingly.

Although the Proxy Guidelines express the normal preferences for the voting of any shares not covered by a contrary investment guideline provided by the client, the Committee is not bound by the preferences set forth in the Proxy Guidelines and will review each matter on its own merits. Written minutes of all Proxy Voting Committee meetings will be maintained. The Advisers subscribe to ISS, which supplies current information on companies, matters being voted on, regulations, trends in proxy voting and information on corporate governance issues.

If the vote cast either by the analyst or as a result of the deliberations of the Proxy Voting Committee runs contrary to the recommendation of the Board of Directors of the issuer, the matter will be referred to legal counsel to determine whether an amendment to the most recently filed Schedule 13D is appropriate.

II. Social Issues and Other Client Guidelines

If a client has provided special instructions relating to the voting of proxies, they should be noted in the client s account file and forwarded to the proxy department. This is the responsibility of the investment professional or sales assistant for the client. In accordance with Department of Labor guidelines, the Advisers policy is to vote on behalf of ERISA accounts in the best interest of the plan participants with regard to social issues that carry an economic impact. Where an account is not governed by ERISA, the Advisers will vote shares held on behalf of the client in a manner

consistent with any individual investment/voting guidelines provided by the client. Otherwise the Advisers will abstain with respect to those shares.

Table of Contents

III. Client Retention of Voting Rights

If a client chooses to retain the right to vote proxies or if there is any change in voting authority, the following should be notified by the investment professional or sales assistant for the client.

Operations

Legal Department

Proxy Department

Investment professional assigned to the account

In the event that the Board of Directors (or a Committee thereof) of one or more of the investment companies managed by one of the Advisers has retained direct voting control over any security, the Proxy Voting Department will provide each Board Member (or Committee member) with a copy of the proxy statement together with any other relevant information including recommendations of ISS or other third-party services.

IV. Voting Records

The Proxy Voting Department will retain a record of matters voted upon by the Advisers for their clients. The Advisers will supply information on how an account voted its proxies upon request.

A letter is sent to the custodians for all clients for which the Advisers have voting responsibility instructing them to forward all proxy materials to:

[Adviser name]

Attn: Proxy Voting Department One Corporate Center
Rye, New York 10580-1433

The sales assistant sends the letters to the custodians along with the trading/DTC instructions. Proxy voting records will be retained in compliance with Rule 204-2 under the Investment Advisers Act.

V. Voting Procedures

1. Custodian banks, outside brokerage firms and clearing firms are responsible for forwarding proxies directly to the Advisers.

Proxies are received in one of two forms:

Shareholder Vote Authorization Forms (VAFs) Issued by Broadridge Financial Solutions, Inc. (Broadridge) VAFs must be voted through the issuing institution causing a time lag. Broadridge is an outside service contracted by the various institutions to issue proxy materials.

Proxy cards which may be voted directly.

2. Upon receipt of the proxy, the number of shares each form represents is logged into the proxy system according to security.

3. In the case of a discrepancy such as an incorrect number of shares, an improperly signed or dated card, wrong class of security, etc., the issuing custodian is notified by phone. A corrected proxy is requested. Any arrangements are made to insure that a proper proxy is received in time to be voted (overnight delivery, fax, etc.). When securities are out on loan on record date, the custodian is requested to supply written verification.

4. Upon receipt of instructions from the proxy committee (see Administrative), the votes are cast and recorded for each account on an individual basis.

Records have been maintained on the Proxy Edge system. The system is backed up regularly.

Table of Contents

PROXY EDGE RECORDS INCLUDE:

Security Name and Cusip Number
Date and Type of Meeting (Annual, Special, Contest) Client Name
Adviser or Fund Account Number
Directors Recommendation
How GAMCO voted for the client on each issue

5. VAFs are kept alphabetically by security. Records for the current proxy season are located in the Proxy Voting Department office. In preparation for the upcoming season, files are transferred to an offsite storage facility during January/February.

6. Shareholder Vote Authorization Forms issued by Broadridge are always sent directly to a specific individual at Broadridge.

7. If a proxy card or VAF is received too late to be voted in the conventional matter, every attempt is made to vote on one of the following manners:

VAFs can be faxed to Broadridge up until the time of the meeting. This is followed up by mailing the original form.

When a solicitor has been retained, the solicitor is called. At the solicitor s direction, the proxy is faxed.

8. In the case of a proxy contest, records are maintained for each opposing entity.

9. Voting in Person

(a) At times it may be necessary to vote the shares in person. In this case, a legal proxy is obtained in the following manner:

Banks and brokerage firms using the services at Broadridge:

The back of the VAF is stamped indicating that we wish to vote in person. The forms are then sent overnight to Broadridge. Broadridge issues individual legal proxies and sends them back via overnight (or the Adviser can pay messenger charges). A lead-time of at least two weeks prior to the meeting is needed to do this. Alternatively, the procedures detailed below for banks not using Broadridge may be implemented.

Banks and brokerage firms issuing proxies directly:

The bank is called and/or faxed and a legal proxy is requested.

All legal proxies should appoint:

REPRESENTATIVE OF [ADVISER NAME] WITH FULL POWER OF SUBSTITUTION.

(b) The legal proxies are given to the person attending the meeting along with the following supplemental material:

A limited Power of Attorney appointing the attendee an Adviser representative.

A list of all shares being voted by custodian only. Client names and account numbers are not included. This list must be presented, along with the proxies, to the Inspectors of Elections and/or tabulator at least one-half hour prior to the scheduled start of the meeting. The tabulator must qualify the votes (i.e. determine if the votes have previously been cast, if the votes have been rescinded, etc.).

A sample ERISA and Individual contract.

A sample of the annual authorization to vote proxies form.

A copy of our most recent Schedule 13D filing (if applicable).

Table of Contents

Exhibit A

Proxy Guidelines

PROXY VOTING GUIDELINES

GENERAL POLICY STATEMENT

It is the policy of **GAMCO Investors, Inc.** to vote in the best economic interests of our clients. As we state in our Magna Carta of Shareholders Rights, established in May 1988, we are neither *for* nor *against* management. We are for shareholders.

At our first proxy committee meeting in 1989, it was decided that each proxy statement should be evaluated on its own merits within the framework first established by our Magna Carta of Shareholders Rights. The attached guidelines serve to enhance that broad framework.

We do not consider any issue routine. We take into consideration all of our research on the company, its directors, and their short and long-term goals for the company. In cases where issues that we generally do not approve of are combined with other issues, the negative aspects of the issues will be factored into the evaluation of the overall proposals but will not necessitate a vote in opposition to the overall proposals.

Board of Directors

The advisers do not consider the election of the Board of Directors a routine issue. Each slate of directors is evaluated on a case-by-case basis.

Factors taken into consideration include:

Historical responsiveness to shareholders

This may include such areas as:

Paying greenmail

Failure to adopt shareholder resolutions receiving a majority of shareholder votes

Qualifications

Nominating committee in place

Number of outside directors on the board

Attendance at meetings

Overall performance

Selection of Auditors

In general, we support the Board of Directors recommendation for auditors.

Blank Check Preferred Stock

We oppose the issuance of blank check preferred stock.

Blank check preferred stock allows the company to issue stock and establish dividends, voting rights, etc. without further shareholder approval.

Classified Board

A classified board is one where the directors are divided into classes with overlapping terms. A different class is elected at each annual meeting.

Table of Contents

While a classified board promotes continuity of directors facilitating long range planning, we feel directors should be accountable to shareholders on an annual basis. We will look at this proposal on a case-by-case basis taking into consideration the board s historical responsiveness to the rights of shareholders.

Where a classified board is in place we will generally not support attempts to change to an annually elected board.

When an annually elected board is in place, we generally will not support attempts to classify the board.

Increase Authorized Common Stock

The request to increase the amount of outstanding shares is considered on a case-by-case basis.

Factors taken into consideration include:

Future use of additional shares

Stock split

Stock option or other executive compensation plan

Finance growth of company/strengthen balance sheet

Aid in restructuring

Improve credit rating

Implement a poison pill or other takeover defense

Amount of stock currently authorized but not yet issued or reserved for stock option plans

Amount of additional stock to be authorized and its dilutive effect

We will support this proposal if a detailed and verifiable plan for the use of the additional shares is contained in the proxy statement.

Confidential Ballot

We support the idea that a shareholder s identity and vote should be treated with confidentiality.

However, we look at this issue on a case-by-case basis.

In order to promote confidentiality in the voting process, we endorse the use of independent Inspectors of Election.

Cumulative Voting

In general, we support cumulative voting.

Cumulative voting is a process by which a shareholder may multiply the number of directors being elected by the number of shares held on record date and cast the total number for one candidate or allocate the voting among two or

more candidates.

Where cumulative voting is in place, we will vote against any proposal to rescind this shareholder right.

Cumulative voting may result in a minority block of stock gaining representation on the board. When a proposal is made to institute cumulative voting, the proposal will be reviewed on a case-by-case basis. While we feel that each board member should represent all shareholders, cumulative voting provides minority shareholders an opportunity to have their views represented.

Table of Contents

Director Liability and Indemnification

We support efforts to attract the best possible directors by limiting the liability and increasing the indemnification of directors, except in the case of insider dealing.

Equal Access to the Proxy

The SEC s rules provide for shareholder resolutions. However, the resolutions are limited in scope and there is a 500 word limit on proponents written arguments. Management has no such limitations. While we support equal access to the proxy, we would look at such variables as length of time required to respond, percentage of ownership, etc.

Fair Price Provisions

Charter provisions requiring a bidder to pay all shareholders a fair price are intended to prevent two-tier tender offers that may be abusive. Typically, these provisions do not apply to board-approved transactions.

We support fair price provisions because we feel all shareholders should be entitled to receive the same benefits.

Reviewed on a case-by-case basis.

Golden Parachutes

Golden parachutes are severance payments to top executives who are terminated or demoted after a takeover.

We support any proposal that would assure management of its own welfare so that they may continue to make decisions in the best interest of the company and shareholders even if the decision results in them losing their job. We do not, however, support excessive golden parachutes. Therefore, each proposal will be decided on a case-by-case basis.

Note: Congress has imposed a tax on any parachute that is more than three times the executive s average annual compensation.

Anti-Greenmail Proposals

We do not support greenmail. An offer extended to one shareholder should be extended to all shareholders equally across the board.

Limit Shareholders Rights to Call Special Meetings

We support the right of shareholders to call a special meeting.

Consideration of Nonfinancial Effects of a Merger

This proposal releases the directors from only looking at the financial effects of a merger and allows them the opportunity to consider the merger s effects on employees, the community, and consumers.

Table of Contents

As a fiduciary, we are obligated to vote in the best economic interests of our clients. In general, this proposal does not allow us to do that. Therefore, we generally cannot support this proposal.

Reviewed on a case-by-case basis.

Mergers, Buyouts, Spin-Offs, Restructurings

Each of the above is considered on a case-by-case basis. According to the Department of Labor, we are not required to vote for a proposal simply because the offering price is at a premium to the current market price. We may take into consideration the long term interests of the shareholders.

Military Issues

Shareholder proposals regarding military production must be evaluated on a purely economic set of criteria for our **ERISA** clients. As such, decisions will be made on a case-by-case basis.

In voting on this proposal for our non-**ERISA** clients, we will vote according to the client s direction when applicable. Where no direction has been given, we will vote in the best economic interests of our clients. It is not our duty to impose our social judgment on others.

Northern Ireland

Shareholder proposals requesting the signing of the MacBride principles for the purpose of countering the discrimination of Catholics in hiring practices must be evaluated on a purely economic set of criteria for our **ERISA** clients. As such, decisions will be made on a case-by-case basis.

In voting on this proposal for our non-**ERISA** clients, we will vote according to client direction when applicable. Where no direction has been given, we will vote in the best economic interests of our clients. It is not our duty to impose our social judgment on others.

Opt Out of State Anti-Takeover Law

This shareholder proposal requests that a company opt out of the coverage of the state s takeover statutes. Example: Delaware law requires that a buyer must acquire at least 85% of the company s stock before the buyer can exercise control unless the board approves.

We consider this on a case-by-case basis. Our decision will be based on the following:

State of Incorporation

Management history of responsiveness to shareholders

Other mitigating factors

Poison Pill

In general, we do not endorse poison pills.

In certain cases where management has a history of being responsive to the needs of shareholders and the stock is very liquid, we will reconsider this position.

Table of Contents

Reincorporation

Generally, we support reincorporation for well-defined business reasons. We oppose reincorporation if proposed solely for the purpose of reincorporating in a state with more stringent anti-takeover statutes that may negatively impact the value of the stock.

Stock Option Plans

Stock option plans are an excellent way to attract, hold and motivate directors and employees. However, each stock option plan must be evaluated on its own merits, taking into consideration the following:

Dilution of voting power or earnings per share by more than 10%

Kind of stock to be awarded, to whom, when and how much

Method of payment

Amount of stock already authorized but not yet issued under existing stock option plans

Supermajority Vote Requirements

Supermajority vote requirements in a company s charter or bylaws require a level of voting approval in excess of a simple majority of the outstanding shares. In general, we oppose supermajority-voting requirements. Supermajority requirements often exceed the average level of shareholder participation. We support proposals approvals by a simple majority of the shares voting.

Limit Shareholders Right to Act By Written Consent

Written consent allows shareholders to initiate and carry on a shareholder action without having to wait until the next annual meeting or to call a special meeting. It permits action to be taken by the written consent of the same percentage of the shares that would be required to effect proposed action at a shareholder meeting.

Reviewed on a case-by-case basis.

Table of Contents

PART C
OTHER INFORMATION

Item 25. ***Financial Statements and Exhibits***

(1) Financial Statements

Part A

None

Part B

The following statements of the Registrant are incorporated by reference in Part B of the Registration Statement:

Schedule of Investments at December 31, 2009

Statement of Assets and Liabilities as of December 31, 2009

Statement of Operations for the Year Ended December 31, 2009

Statement of Changes in Net Assets for the Year Ended December 31, 2009

Notes to Financial Statements

Report of Independent Registered Public Accounting Firm

(2) Exhibits

(a) (i) Second Amended and Restated Agreement and Declaration of Trust of Registrant (6)

(ii) Statement of Preferences of Series A Cumulative Preferred Shares (4)

(b) Amendment No. 1 to the By-Laws of Registrant (1)

(c) Not applicable

(d) (i) Form of Specimen Common Share Certificate (2)

(ii) Form of Specimen Preferred Share Certificate (4)

(e) Included in Prospectus

(f) Not applicable

(g) Form of Investment Advisory Agreement between Registrant and Gabelli Funds, LLC (2)

(h) (i) Form of Purchase Agreement (4)

(ii) Form of Selling Agreement (5)

(i) Not applicable

(j) Form of Custodian Agreement (2)

(k) Form of Registrar, Transfer Agency and Service Agreement (2)

(l) (i) Opinion and Consent of Skadden, Arps, Slate, Meagher & Flom LLP with respect to legality of preferred stock (4)

(ii) Opinion and Consent of Skadden, Arps, Slate, Meagher & Flom LLP with respect to legality of common stock (7)

(m) Not applicable

(n) (i) Consent of Independent Registered Public Accounting Firm (8)

(ii) Powers of Attorney (6)

Table of Contents

(o) Not applicable

(p) Form of Initial Subscription Agreement (3)

(q) Not applicable

(r) (i) Code of Ethics of the Fund and the Investment Adviser (6)

(ii) Joint Code of Ethics for Chief Executive and Senior Financial Officers (6)

(1) Previously filed with the Registrant s Form 8-K filed on January 22, 2010 (333-121998).

(2) Previously filed with Pre-Effective Amendment No. 2 to the Registration Statement on Form N-2 filed on March 23, 2005 (333-121998).

(3) Previously filed with Pre-Effective Amendment No. 3 to the Registration Statement on Form N-2 filed on March 24, 2005 (333-121998).

(4) Previously filed with Post-Effective Amendment No. 1 to the Registration Statement on Form N-2 filed on October 12, 2007 (333-143009).

(5) Previously filed with Post-Effective Amendment No. 2 to the Registration Statement on Form N-2 filed on January 16, 2009 (333-143009).

(6) Previously filed with the Registration Statement on Form N-2 filed on January 15, 2010 (333-164363).

(7) Previously filed with Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2 filed on February 4, 2010 (333-164363).

(8) Filed herewith.

Item 26. ***Marketing Arrangements***

The information contained under the heading Plan of Distribution on page 54 of the Prospectus is incorporated by reference, and any information concerning any underwriters will be contained in the accompanying Prospectus Supplement, if any.

Item 27. ***Other Expenses of Issuance and Distribution***

The following table sets forth the estimated expenses to be incurred in connection with the offering described in this Registration Statement:

Printing expenses	$ 50,000
Accounting fees	15,000
Legal fees	386,000

SEC Registration Fee	24,955
Miscellaneous	14,045
Total	$ 490,000

Item 28. ***Persons Controlled by or Under Common Control with Registrant***

None

Item 29. ***Number of Holders of Securities as of December 31, 2009***

Title of Class	**Number of Record Holders**
Common Shares of Beneficial Interest	64
Series A Cumulative Preferred Shares	1

Item 30. ***Indemnification***

Article IV of the Registrant s Agreement and Declaration of Trust provides as follows:

4.1 No Personal Liability of Shareholders, Trustees, etc. No Shareholder of the Trust shall be subject in such capacity to any personal liability whatsoever to any Person in connection with Trust Property or the acts, obligations or affairs of the Trust. Shareholders shall have the same limitation of personal liability as is extended to stockholders of a private corporation for profit incorporated under the general corporation law of

Table of Contents

the State of Delaware. No Trustee or officer of the Trust shall be subject in such capacity to any personal liability whatsoever to any Person, other than the Trust or its Shareholders, in connection with Trust Property or the affairs of the Trust, save only liability to the Trust or its Shareholders arising from bad faith, willful misfeasance, gross negligence or reckless disregard for his duty to such Person; and, subject to the foregoing exception, all such Persons shall look solely to the Trust Property for satisfaction of claims of any nature arising in connection with the affairs of the Trust. If any Shareholder, Trustee or officer, as such, of the Trust, is made a party to any suit or proceeding to enforce any such liability, subject to the foregoing exception, he shall not, on account thereof, be held to any personal liability.

4.2 Mandatory Indemnification. (a) The Trust shall indemnify the Trustees and officers of the Trust (each such person being an indemnitee) against any liabilities and expenses, including amounts paid in satisfaction of judgments, in compromise or as fines and penalties, and reasonable counsel fees reasonably incurred by such indemnitee in connection with the defense or disposition of any action, suit or other proceeding, whether civil or criminal, before any court or administrative or investigative body in which he may be or may have been involved as a party or otherwise (other than, except as authorized by the Trustees, as the plaintiff or complainant) or with which he may be or may have been threatened, while acting in any capacity set forth above in this Section 4.2 by reason of his having acted in any such capacity, except with respect to any matter as to which he shall not have acted in good faith in the reasonable belief that his action was in the best interest of the Trust or, in the case of any criminal proceeding, as to which he shall have had reasonable cause to believe that the conduct was unlawful, provided, however, that no indemnitee shall be indemnified hereunder against any liability to any person or any expense of such indemnitee arising by reason of (i) willful misfeasance, (ii) bad faith, (iii) gross negligence (negligence in the case of Affiliated Indemnitees), or (iv) reckless disregard of the duties involved in the conduct of his position (the conduct referred to in such clauses (i) through (iv) being sometimes referred to herein as disabling conduct). Notwithstanding the foregoing, with respect to any action, suit or other proceeding voluntarily prosecuted by any indemnitee as plaintiff, indemnification shall be mandatory only if the prosecution of such action, suit or other proceeding by such indemnitee was authorized by a majority of the Trustees.

(b) Notwithstanding the foregoing, no indemnification shall be made hereunder unless there has been a determination (1) by a final decision on the merits by a court or other body of competent jurisdiction before whom the issue of entitlement to indemnification hereunder was brought that such indemnitee is entitled to indemnification hereunder or, (2) in the absence of such a decision, by (i) a majority vote of a quorum of those Trustees who are neither Interested Persons of the Trust nor parties to the proceeding (Disinterested Non-Party Trustees), that the indemnitee is entitled to indemnification hereunder, or (ii) if such quorum is not obtainable or even if obtainable, if such majority so directs, independent legal counsel in a written opinion conclude that the indemnitee should be entitled to indemnification hereunder. All determinations to make advance payments in connection with the expense of defending any proceeding shall be authorized and made in accordance with the immediately succeeding paragraph (c) below.

(c) The Trust shall make advance payments in connection with the expenses of defending any action with respect to which indemnification might be sought hereunder if the Trust receives a written affirmation by the indemnitee of the indemnitee s good faith belief that the standards of conduct necessary for indemnification have been met and a written undertaking to reimburse the Trust unless it is subsequently determined that he is entitled to such indemnification and if a majority of the Trustees determine that the applicable standards of conduct necessary for indemnification appear to have been met. In addition, at least one of the following conditions must be met: (1) the indemnitee shall provide adequate security for his undertaking, (2) the Trust shall be insured against losses arising by reason of any lawful advances, or (3) a majority of a quorum of the Disinterested Non-Party Trustees, or if a majority vote of such quorum so direct, independent legal counsel in a written opinion, shall conclude, based on a review of readily available facts (as opposed to a full trial-type inquiry), that there is substantial reason to believe that the indemnitee ultimately will be found entitled to indemnification.

(d) The rights accruing to any indemnitee under these provisions shall not exclude any other right to which he may be lawfully entitled.

(e) Notwithstanding the foregoing, subject to any limitations provided by the 1940 Act and this Declaration, the Trust shall have the power and authority to indemnify Persons providing services to the Trust

Table of Contents

to the full extent provided by law as if the Trust were a corporation organized under the Delaware General Corporation Law provided that such indemnification has been approved by a majority of the Trustees.

4.3 No Duty of Investigation; Notice in Trust Instruments, etc. No purchaser, lender, transfer agent or other person dealing with the Trustees or with any officer, employee or agent of the Trust shall be bound to make any inquiry concerning the validity of any transaction purporting to be made by the Trustees or by said officer, employee or agent or be liable for the application of money or property paid, loaned, or delivered to or on the order of the Trustees or of said officer, employee or agent. Every obligation, contract, undertaking, instrument, certificate, Share, other security of the Trust, and every other act or thing whatsoever executed in connection with the Trust shall be conclusively taken to have been executed or done by the executors thereof only in their capacity as Trustees under this Declaration or in their capacity as officers, employees or agents of the Trust. The Trustees may maintain insurance for the protection of the Trust Property, its Shareholders, Trustees, officers, employees and agents in such amount as the Trustees shall deem adequate to cover possible liability, and such other insurance as the Trustees in their sole judgment shall deem advisable or is required by the 1940 Act.

4.4 Reliance on Experts, etc. Each Trustee and officer or employee of the Trust shall, in the performance of its duties, be fully and completely justified and protected with regard to any act or any failure to act resulting from reliance in good faith upon the books of account or other records of the Trust, upon an opinion of counsel, or upon reports made to the Trust by any of the Trust s officers or employees or by any advisor, administrator, manager, distributor, selected dealer, accountant, appraiser or other expert or consultant selected with reasonable care by the Trustees, officers or employees of the Trust, regardless of whether such counsel or other person may also be a Trustee.

Item 31. ***Business and Other Connections of Investment Adviser***

The Investment Adviser, a limited liability company organized under the laws of the State of New York, acts as investment adviser to the Registrant. The Registrant is fulfilling the requirement of this Item 31 to provide a list of the officers and Trustees of the Investment Adviser, together with information as to any other business, profession, vocation or employment of a substantial nature engaged in by the Investment Adviser or those officers and Trustees during the past two years, by incorporating by reference the information contained in the Form ADV of the Investment Adviser filed with the commission pursuant to the Investment Advisers Act of 1940 (Commission File No. 801-26202).

Item 32. ***Location of Accounts and Records***

The accounts and records of the Registrant are maintained in part at the office of the Investment Adviser at One Corporate Center, Rye, New York 10580-1422, in part at the offices of the Fund s custodian, Mellon, at 185 Santilli Highway, Everett, Massachusetts 01249, in part at the offices of the Fund s sub-administrator, PNC Global Investment Servicing, at 760 Moore Road, King of Prussia, PA 19406, and in part at the offices of the Fund s transfer agent, American Stock Transfer, at 59 Maiden Lane, New York, NY 10038.

Item 33. ***Management Services***

Not applicable.

Item 34. ***Undertakings***

1. Registrant undertakes to suspend the offering of shares until the prospectus is amended, if subsequent to the effective date of this Registration Statement, its net asset value declines more than ten percent from its net asset value, as of the effective date of the Registration Statement or its net asset value increases to an amount greater than its net

proceeds as stated in the prospectus.

2. Not applicable.

3. Not applicable.

4. Registrant hereby undertakes:

(a) to file, during and period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

Table of Contents

(1) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(2) to reflect in the prospectus any facts or events after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement; and

(3) to include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement.

(b) that for the purpose of determining any liability under the Securities Act of 1933 (the 1933 Act), each post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof;

(c) to remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering; and

(d) that, for the purpose of determining liability under the 1933 Act to any purchaser, if the Registrant is subject to Rule 430C: Each prospectus filed pursuant to Rule 497(b), (c), (d) or (e) under the 1933 Act as part of a registration statement relating to an offering, other than prospectuses filed in reliance on Rule 430A under the 1933 Act shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. *Provided, however,* that no statement made in a registration statement or prospectus that is part of the registration or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

(e) that for the purpose of determining liability of the Registrant under the 1933 Act to any purchaser in the initial distribution of securities:

The undersigned Registrant undertakes that in a primary offering of securities of the undersigned Registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned Registrant will be a seller to the purchaser and will be considered to offer or sell such securities to the purchaser:

(1) any preliminary prospectus or prospectus of the undersigned Registrant relating to the offering required to be filed pursuant to Rule 497 under the 1933 Act.

(2) the portion of any advertisement pursuant to Rule 482 under the 1933 Act relating to the offering containing material information about the undersigned Registrant or its securities provided by or on behalf of the undersigned Registrant; and

(3) any other communication that is an offer in the offering made by the undersigned Registrant to the purchaser.

5. Registrant undertakes that, for the purpose of determining any liability under the 1933 Act, the information omitted from the form of prospectus filed as part of the Registration Statement in reliance upon Rule 430A and contained in the form of prospectus filed by the Registrant pursuant to Rule 497(h) will be deemed to be a part of the Registration Statement as of the time it was declared effective.

Registrant undertakes that, for the purpose of determining any liability under the 1933 Act, each post-effective amendment that contains a form of prospectus will be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time will be deemed to be the initial bona fide offering thereof.

6. Registrant undertakes to send by first class mail or other means designed to ensure equally prompt delivery, within two business days of receipt of a written or oral request, any Statement of Additional Information constituting Part B of this Registration Statement.

Table of Contents

SIGNATURES

As required by the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement on Form N-2 to be signed on its behalf by the undersigned, in the City of Rye, State of New York, on the 8th day of April, 2010.

THE GABELLI GLOBAL GOLD, NATURAL RESOURCES & INCOME TRUST

By: /s/ Bruce N. Alpert

Bruce N. Alpert
President

As required by the Securities Act of 1933, as amended, this Form N-2 has been signed below by the following persons in the capacities set forth below on the 8th day of April, 2010.

NAME	TITLE
/s/ Anthony J. Colavita*	Trustee
Anthony J. Colavita	
/s/ James P. Conn*	Trustee
James P. Conn	
/s/ Mario d Urso*	Trustee
Mario d Urso	
/s/ Vincent D. Enright*	Trustee
Vincent D. Enright	
/s/ Frank J. Fahrenkopf, Jr.*	Trustee
Frank J. Fahrenkopf, Jr.	
/s/ Michael J. Melarkey*	Trustee
Michael J. Melarkey	
/s/ Salvatore M. Salibello*	Trustee
Salvatore M. Salibello	
/s/ Anthonie C. van Ekris*	Trustee

Anthonie C. van Ekris	
/s/ Salvatore J. Zizza*	Trustee
Salvatore J. Zizza	
/s/ Bruce N. Alpert	President (Principal Executive Officer)
Bruce N. Alpert	
/s/ Bruce N. Alpert	Acting Treasurer (Principal Financial and Accounting Officer)
Bruce N. Alpert	
/s/ Bruce N. Alpert	Attorney-in-Fact
Bruce N. Alpert	

* Pursuant to a Power of Attorney

Table of Contents

EXHIBIT INDEX

Exhibit Number	Description
Ex-.99(n)(i)	Consent of Independent Registered Public Accounting Firm