Standard Financial Corp.
Form 424B3
August 20, 2010

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PROSPECTUS

(Proposed Holding Company for Standard Bank, PaSB)
Up to 3,450,000 Shares of Common Stock

Standard Financial Corp., a Maryland corporation, is offering shares of common stock for sale in connection with the conversion of Standard Mutual Holding Company from the mutual to the stock form of organization. We expect that our common stock will be listed for trading on the Nasdaq Capital Market under the symbol STND upon conclusion of the stock offering.

We are offering up to 3,450,000 shares of common stock for sale on a best efforts basis. We may sell up to 3,967,500 shares of common stock because of demand for the shares in excess of 3,450,000 shares or changes in market conditions that would increase our *pro forma* market value in excess of $34.5 million (3,450,000 shares multiplied by the $10.00 purchase price per share) without resoliciting subscribers. We must sell a minimum of 2,550,000 shares in order to complete the offering.

We are offering the shares of common stock in a subscription offering to eligible depositors of Standard Bank, PaSB (Standard Bank or the Bank). Shares of common stock not purchased in the subscription offering may be offered for sale to the general public in a community offering. We also may offer for sale shares of common stock not purchased in the subscription offering or community offering through a syndicated community offering managed by Stifel, Nicolaus & Company, Incorporated (Stifel Nicolaus). In addition, Standard Financial Corp. intends to establish a charitable foundation in connection with the conversion and contribute to it $200,000 in cash and a number of shares of common stock with a value equal to 3.5% of the shares sold in the offering.

The minimum number of shares of common stock you may order is 25 shares. The maximum number of shares of common stock that can be ordered by any person in the offering is 20,000 shares, and no person, together with an associate or group of persons acting in concert, may purchase more than 30,000 shares in the offering. The offering is expected to expire at 2:00 p.m., Eastern Time, on September 17, 2010. We may extend this expiration date without notice to you until November 1, 2010. The Pennsylvania Department of Banking and the Board of Governors of the Federal Reserve System may approve a later date which may not conclude beyond September 23, 2012. Once submitted, orders are irrevocable unless the offering is terminated or is extended beyond November 1, 2010, or the number of shares of common stock to be sold is increased to more than 3,967,500 shares or decreased to fewer than 2,550,000 shares. If the offering is extended beyond November 1, 2010, we will resolicit subscribers. You will have the opportunity to maintain, change or cancel your order within a specified period. If you do not respond during that period, your stock order will be cancelled, deposit account withdrawal authorizations will be cancelled or payment will be returned promptly with interest calculated at our statement savings rate. If the number of shares of common stock to be sold is increased to more than 3,967,500 shares or decreased to fewer than 2,550,000 shares, we will cancel subscribers orders, promptly return all funds with interest, cancel deposit account withdrawal authorizations and establish a new offering range. Subscribers will be given an opportunity to place a new stock order. Funds received during the offering will be held in a segregated account at Standard Bank and will earn interest calculated at Standard Bank s statement savings rate, which is currently 0.15% per annum.

Stifel Nicolaus will assist us in selling our shares of common stock on a best efforts basis. Stifel Nicolaus is not required to purchase any shares of the common stock that are being offered for sale.

This investment involves a degree of risk, including the possible loss of your investment.
Please read Risk Factors beginning on page 17.

OFFERING SUMMARY

Price: $10.00 per Share

	Minimum	Midpoint	Maximum	Adjusted Maximum
Number of shares	2,550,000	3,000,000	3,450,000	3,967,500
Gross offering proceeds	$ 25,500,000	$ 30,000,000	$ 34,500,000	$ 39,675,000
Estimated offering expenses (excluding selling agent fees and expenses)	$ 948,500	$ 948,500	$ 948,500	$ 948,500
Estimated selling agent fees and expenses(1)(2)	$ 407,886	$ 449,160	$ 490,434	$ 537,899
Estimated net proceeds	$ 24,143,614	$ 28,602,340	$ 33,061,066	$ 38,188,601
Estimated net proceeds per share	$ 9.47	$ 9.53	$ 9.58	$ 9.63

(1) Includes: (i) selling commissions payable by us to Stifel, Nicolaus & Company, Incorporated in connection with the subscription and community offerings equal to 1.0% of the aggregate amount of common stock sold in the subscription and community offerings (net of insider purchases and shares purchased by our ESOP), or approximately $347,900, at the adjusted maximum of the offering range; and (ii) other expenses of the offering payable to Stifel, Nicolaus & Company, Incorporated as selling agent estimated to be $75,000. For information regarding compensation to be received by Stifel, Nicolaus & Company, Incorporated and the other broker-dealers that may participate in the syndicated community offering, including the assumptions regarding the number of shares that may be sold in the subscription and community offerings and the syndicated community offering to determine the estimated offering expenses, see Pro Forma Data on page 44 and The Conversion Marketing and Distribution; Compensation on page 127.

(2) If all shares of common stock are sold in the syndicated community offering, the maximum selling agent commissions and expenses would be $1.3 million at the minimum, $1.5 million at the midpoint, $1.7 million at the maximum, and $2.0 million at the maximum, as adjusted.

These securities are not deposits or accounts and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

None of the Securities and Exchange Commission, the Pennsylvania Department of Banking, the Board of Governors of the Federal Reserve System, nor any state securities regulator has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

For assistance, please call the Stock Information Center, toll free, at (877) 821-5778.
The date of this prospectus is August 12, 2010.

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SUMMARY

The following summary highlights material information in this prospectus. It may not contain all the information that is important to you. For additional information, you should read this entire prospectus carefully, including the Consolidated Financial Statements and the notes to the Consolidated Financial Statements.

In this prospectus, the terms we, our, and us refer to Standard Financial Corp. and Standard Bank unless the context indicates another meaning.

Standard Bank

Standard Bank is a Pennsylvania chartered savings bank headquartered in Murrysville, Pennsylvania. Standard Bank was organized in 1913, and reorganized into the mutual holding company structure in 1998. Standard Bank is currently the wholly owned subsidiary of Standard Mutual Holding Company, a Pennsylvania mutual holding company. On a consolidated basis, as of March 31, 2010, Standard Mutual Holding Company had total assets of $403.2 million, total loans of $277.1 million, total deposits of $311.2 million and equity of $43.6 million. We provide financial services to individuals, families and businesses through our ten banking offices located in the Pennsylvania counties of Allegheny, Westmoreland and Bedford and Allegany County, Maryland.

Standard Bank s business consists primarily of accepting deposits from the general public and investing those deposits, together with funds generated from operations and borrowings, in commercial real estate loans, one- to four-family residential mortgage loans, home equity loans and lines of credit, commercial business loans and investment securities. To a much lesser extent, we also originate construction loans and consumer loans. Standard Bank offers a variety of deposit accounts, including savings accounts, certificates of deposit, money market accounts, commercial and regular checking accounts and individual retirement accounts.

Standard Bank s executive offices are located at 2640 Monroeville Boulevard, Monroeville, Pennsylvania 15146. Our telephone number at this address is (412) 856-0363. Our website address is www.standardbankpa.com. Information on our website is not incorporated into this prospectus and should not be considered part of this prospectus.

Standard Financial Corp.

Standard Financial Corp. is a newly formed Maryland corporation that will own all of the outstanding shares of common stock of Standard Bank upon completion of the mutual-to-stock conversion and the offering. Other than matters of an organizational nature, Standard Financial Corp. has not engaged in any business to date.

Our executive offices are located at 2640 Monroeville Boulevard, Monroeville, Pennsylvania 15146. Our telephone number at this address is (412) 856-0363.

Our Organizational Structure

In 1998, Standard Bank reorganized into the mutual holding company form of organization by forming Standard Mutual Holding Company. Standard Mutual Holding Company owns 100% of the outstanding shares of common stock of Standard Bank. Standard Mutual Holding Company is a mutual holding company that has no stockholders and is controlled by the depositors of Standard Bank.

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Pursuant to the terms of Standard Mutual Holding Company s plan of conversion, Standard Mutual Holding Company will convert from a mutual holding company to the stock holding company corporate structure. In addition, we intend to contribute cash and shares of common stock to a charitable foundation we will establish in connection with the conversion. Upon the completion of the conversion, Standard Mutual Holding Company will cease to exist, and Standard Bank will be a wholly owned subsidiary of Standard Financial Corp.

Market Area

We conduct our operations from our ten branch offices (nine of which are full service) located in the Pennsylvania counties of Allegheny, Westmoreland and Bedford and Allegany County, Maryland. Standard Bank considers its primary market area to be eastern Allegheny, Westmoreland, northern Fayette and southern Bedford counties in Pennsylvania and Allegany County, Maryland.

Our market area did not fully benefit from the national economic expansion during the period prior to the current economic recession, and as a result, it has not been as severely affected during the current economic recession. The national unemployment rate has remained over 9% and real estate prices across the country have declined substantially in many markets. Recently, there have been some signs of economic improvement both nationally and in our market area, although the unemployment rate in the eastern portion of our market area remains somewhat higher than the unemployment rates of Pennsylvania and Maryland, respectively.

In comparison to many areas throughout the country, real estate values in our market have been reasonably stable, as many areas in the country experienced more significant increases in real estate values during the past decade. Management believes that this, combined with a more moderate employment situation within our market area, has resulted in a less severe decline in real estate market values in our market area compared to many other parts of the country.

Our market area has a broad range of private employers, and has changed its focus from heavy industry to more specialized industries and service providers, including technology, health care, education and finance. Allegheny County, Pennsylvania is the headquarters for seven Fortune 500 companies, including H.J. Heinz, USX Corporation and Alcoa Inc. Westmoreland County is east of Allegheny County and is part of the Pittsburgh metropolitan area. Allegany County, Maryland is part of the Cumberland, Maryland-West Virginia metropolitan area, which is equidistant from Pittsburgh and Baltimore, and its economy includes information technology, biotechnology, medical services and manufacturing.

Median household income levels in our market area have been mixed. Allegheny County, Pennsylvania and Allegany County, Maryland have trailed the median household income growth rate of their respective states and the nation over the last several years, while Westmoreland and Fayette Counties have outpaced it. However, the median household income in each of the counties within our market area is substantially less than their respective states and nationally.

Business Strategy

Our business strategy is to grow and improve our profitability by:

- Remaining a community-oriented financial institution while continuing to increase our customer base of small and medium-size businesses in our market area;
- Increasing commercial real estate lending while maintaining conservative loan underwriting standards;
- Emphasizing lower cost core deposits by attracting new customers and enhancing existing customer relationships;
- Expanding our branch network, through branch purchases and de novo branching; and
- Pursuing future expansion and acquisition opportunities with the capital raised in the conversion, although we have no current arrangements or agreements with respect to any such acquisitions.

A full description of our products and services begins on page 86 of this prospectus under the heading Business of Standard Bank.

These strategies are intended to guide our investment of the net proceeds of the offering. We intend to continue to pursue our business strategy after the conversion and the offering, subject to changes necessitated by future market conditions and other factors. See Management s Discussion and Analysis of Financial Condition and Results of Operations Business Strategy for a further discussion of our business strategy.

Reasons for the Conversion

While Standard Bank currently exceeds all regulatory capital requirements, the proceeds from the sale of common stock will increase our capital, which will support our continued lending and operations growth. In deciding to pursue the conversion and offering at this time our Board of Directors considered current market conditions, the amount of capital needed for continued growth and that the offering will not raise excessive capital.

Additionally, we considered the following reasons for converting and raising additional capital:

- to support our internal growth through lending (with a particular emphasis on commercial real estate lending) in communities we serve or may serve in the future;
- to provide additional financial resources to pursue future expansion and acquisition opportunities, although we have no current arrangements or agreements with respect to any such acquisitions;
- to improve our capital position during a period of significant economic uncertainty;
- to provide us with better capital management tools, including the ability to pay dividends and to repurchase shares of our common stock, subject to market conditions;

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- to form a charitable foundation to benefit the communities we serve; and
- to retain and attract qualified personnel by establishing stock-based benefit plans.

We believe that the additional capital raised in the offering will enable us to take advantage of business opportunities that may not otherwise be available to us. As of March 31, 2010, Standard Bank was considered well capitalized for regulatory purposes and is not subject to a directive or a recommendation from the Pennsylvania Department of Banking, the Federal Deposit Insurance Corporation or the Board of Governors of the Federal Reserve System (Federal Reserve Board) to raise capital.

For further information about our reasons for the conversion and stock offering, please see The Conversion Reasons for the Conversion.

Terms of the Conversion and the Offering

Under Standard Mutual Holding Company s plan of conversion, our organization will convert to a fully public stock holding company structure. In connection with the conversion, we are offering between 2,550,000 and 3,450,000 shares of common stock to eligible depositors of Standard Bank, to our employee benefit plans and, to the extent shares remain available, to the general public. The number of shares of common stock to be sold may be increased to up to 3,967,500 shares as a result of demand for the shares or changes in the market for financial institution stocks. Unless the number of shares of common stock to be offered is increased to more than 3,967,500 shares or decreased to less than 2,550,000 shares, or the offering is extended beyond November 1, 2010, subscribers will not have the opportunity to change or cancel their stock orders.

The purchase price of each share of common stock to be issued in the offering is $10.00. All investors will pay the same purchase price per share. Investors will not be charged a commission to purchase shares of common stock in the offering. Stifel, Nicolaus & Company, Incorporated, our marketing advisor in the offering, will use its best efforts to assist us in selling shares of our common stock. Stifel, Nicolaus & Company, Incorporated is not obligated to purchase any shares of common stock in the offering.

Persons Who May Order Shares of Common Stock in the Offering

We are offering the shares of common stock in a subscription offering in the following descending order of priority:

- First, to depositors of Standard Bank with aggregate account balances of at least $50 as of the close of business on March 31, 2009.
- Second, to Standard Bank s tax-qualified employee benefit plans (including our employee stock ownership plan and 401(k) plan), which will receive, without payment therefor, nontransferable subscription rights to purchase in the aggregate up to 10% of the shares of common stock sold in the offering and issued to the charitable foundation. We expect our employee stock ownership plan to purchase 8% of the shares of common stock sold in the offering and issued to the charitable foundation. If market conditions warrant, the employee stock ownership plan may instead elect to purchase shares in the open market following the completion of the conversion.

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Third, to depositors of Standard Bank with aggregate account balances of at least $50 as of the close of business on June 30, 2010.

Fourth, to depositors of Standard Bank as of July 28, 2010.

Shares of common stock not purchased in the subscription offering may be offered for sale to the general public in a community offering, with a preference given to natural persons and trusts of natural persons residing in the Pennsylvania counties of Allegheny, Westmoreland and Bedford and Allegany County, Maryland, and thereafter to other members of the general public. The community offering may begin concurrently with, during or promptly after the subscription offering as we may determine at any time. If shares remain available for sale following the subscription offering or community offering, we also may offer for sale shares of common stock through a syndicated community offering managed by Stifel, Nicolaus & Company. We have the right to accept or reject, in our sole discretion, orders received in the community offering or syndicated community offering.

To ensure a proper allocation of stock, each subscriber eligible to purchase stock in the subscription offering must list on his or her stock order form all deposit accounts in which he or she had an ownership interest at the applicable eligibility date. Failure to list all accounts, or providing incorrect information, could result in the loss of all or part of a subscriber s stock allocation. Our interpretation of the terms and conditions of the plan of conversion and of the acceptability of the order forms will be final.

If we receive orders for more shares than we are offering, we may not be able to fully or partially fill your order. Shares will be allocated first, in the order of priority, to subscribers in the subscription offering before any shares are allocated in the community offering.

For a detailed description of the offering, including share allocation procedures, please see The Conversion.

How We Determined the Offering Range

The amount of common stock that we are offering is based on an independent appraisal of the estimated market value of Standard Financial Corp., assuming the conversion and the offering are completed and the charitable foundation is funded with a contribution of cash and common stock. RP Financial, LC., our independent appraiser, has estimated that, as of May 28, 2010, this market value, including shares sold in the offering and issued to the foundation, was $31,050,000. By regulation, the market value constitutes the midpoint of a valuation range, with a minimum of $26,392,500, and a maximum of $35,707,500. Based on this market value, and excluding the shares issued to the foundation, the offering ranges from a minimum of $25,500,000 to a maximum of $34,500,000 with a midpoint of $30,000,000. The $10.00 per share price was selected primarily because it is the price most commonly used in mutual-to-stock conversions of financial institutions. If market conditions warrant, the market value, including shares sold in the offering and issued to the foundation, can be increased to $41,063,630, and the offering, excluding shares issued to the foundation can be increased to $39,675,000.

RP Financial, LC. advised the Board of Directors that the appraisal was prepared in conformance with the regulatory appraisal methodology. This methodology requires a valuation based on an analysis of the trading prices of comparable public companies whose stocks have traded for at least one year prior to the valuation date. RP Financial, LC. selected a group of 10 comparable public companies for this analysis that comprised the peer group for valuation purposes. Consistent with applicable appraisal guidelines, the appraisal applied three primary methodologies: the pro forma price-to-book value approach applied to both reported book value and tangible book value; the pro forma price-to-earnings

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approach applied to reported and core earnings; and the pro forma price-to-assets approach. Based on RP Financial s belief that asset size is not a strong determinant of market value, RP Financial did not place significant weight on the pro forma price-to-assets approach in reaching its conclusions. RP Financial placed the greatest emphasis on the price-to-earnings and price-to-book approaches in estimating pro forma market value. The market value ratios applied in the three methodologies were based upon the current market valuations of the peer group companies identified by RP Financial, subject to valuation adjustments applied by RP Financial to account for differences between us and the peer group. Upward adjustments were applied in the valuation for financial condition and profitability, growth and viability of earnings. Downward valuation adjustments were applied for our primary market area and marketing of the common stock. No adjustment was applied in the valuation for asset growth, liquidity of the common stock, dividends, management and the effect of government regulations and regulatory reform. The upward adjustments considered, among other factors, our more favorable asset quality measures, higher pro forma capital ratios, and stronger return on average assets when compared to the peer group. The downward valuation adjustments considered the less attractive demographic trends in our primary market area (shrinking population, comparable or lower per capita income and lower deposit market shares) versus the peer group and the valuation considerations applied by potential investors in purchasing a newly issued stock that has no prior trading history in a volatile market for thrift and savings bank common stock.

The appraisal peer group consists of the following companies, with asset size as of March 31, 2010.

Company Name	**Ticker Symbol**	**Exchange**	**Headquarters**	**Total Assets** (in millions)
Citizens Community Bancorp, Inc.	CZWI	NASDAQ	Eau Claire, WI	$ 577
Elmira Savings Bank, FSB	ESBK	NASDAQ	Elmira, NY	$ 489
First Capital, Inc.	FCAP	NASDAQ	Corydon, IN	$ 463
First Savings Financial Group	FSFG	NASDAQ	Clarksville, IN	$ 494
Harleysville Savings Financial Corp.	HARL	NASDAQ	Harleysville, PA	$ 843
River Valley Bancorp	RIVR	NASDAQ	Madison, IN	$ 395
Rome Bancorp, Inc.	ROME	NASDAQ	Rome, NY	$ 328
TF Financial Corp.	THRD	NASDAQ	Newtown, PA	$ 716
Wayne Savings Bancshares	WAYN	NASDAQ	Wooster, OH	$ 406
WVS Financial Corp.	WVFC	NASDAQ	Pittsburgh, PA	$ 377

The following table presents a summary of selected pricing ratios for the peer group companies and Standard (on a pro forma basis). The pricing ratios are based on earnings and other information as of and for the six months ended March 31, 2010, stock price information as of May 28, 2010, as reflected in RP Financial, LC. s appraisal report, dated May 28, 2010, and the number of shares assumed to be outstanding as described in Pro Forma Data. Compared to the average pricing of the peer group, our pro forma pricing ratios at the maximum of the offering range indicated a discount of 38.1% on a price-to-book value basis, a discount of 35.2% on a price-to-tangible book value basis, and a discount of 2.9% on a price-to-earnings basis.

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	Price-to-earnings multiple(1)	Price-to-book value ratio	Price-to-tangible book value ratio
Standard (on a pro forma basis, assuming completion of the conversion)			
Minimum	11.01x	40.78%	47.98%
Midpoint	12.94x	45.23%	52.69%
Maximum	14.86x	49.16%	56.75%
Maximum, as adjusted	17.06x	53.22%	60.86%
Valuation of peer group companies, as of May 28, 2010			
Averages	15.30x	79.38%	87.62%
Medians	12.79x	80.81%	88.09%

(1) Information is derived from the RP Financial, LC. appraisal report and are based upon reported earnings for the twelve months ended March 31, 2010. These ratios are different from the ratios in Pro Forma Data.

Compared to the median pricing of the peer group, our pro forma pricing ratios at the maximum of the offering range indicated a discount of 39.2% on a price-to-book value basis, a discount of 35.6% on a price-to-tangible book value basis, and a premium of 16.2% on a core price-to-earnings basis.

Our Board of Directors carefully reviewed the information provided to it by RP Financial, LC. through the appraisal process, but did not make any determination regarding whether prior standard mutual-to-stock conversions have been undervalued. Instead, we engaged RP Financial, LC. to help us understand the regulatory process as it applies to the appraisal and to advise the Board of Directors as to how much capital Standard Financial Corp. would be required to raise under the regulatory appraisal guidelines.

The independent appraisal also reflects the contribution of cash and shares of common stock to the charitable foundation we are organizing in connection with the conversion. The contribution of cash and shares of our common stock to the charitable foundation will reduce our estimated pro forma market value. See Comparison of Valuation and Pro Forma Information With and Without the Charitable Foundation.

RP Financial, LC. will update the independent appraisal prior to the completion of the conversion. If the estimated appraised value, including offering shares and excluding shares contributed to the charitable foundation, changes to either below $25.5 million or above $39.7 million, we will promptly return all funds, establish a new offering range and resolicit persons who previously submitted stock orders. See The Conversion Share Pricing and Number of Shares to be Issued.

The independent appraisal does not indicate per share market value. Do not assume or expect that the valuation of Standard Financial Corp. as indicated above means that, after the conversion and the offering, the shares of common stock will trade at or above the $10.00 offering price. Furthermore, the pricing ratios presented above were utilized by RP Financial, LC. to estimate our market value and not to compare the relative value of shares of our common stock with the value of the capital stock of the peer group. The value of the capital stock of a particular company may be affected by a number of factors such as financial performance, asset size and market location.

For a more complete discussion of the amount of common stock we are offering for sale and the independent appraisal, including a comparison of selected pro forma pricing ratios compared to pricing ratios of the peer group, see The Conversion Share Pricing and Number of Shares to be Issued.

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Limits on How Much Common Stock You May Purchase

The minimum number of shares of common stock that may be purchased is 25. Generally, no individual may purchase more than 20,000 shares ($200,000) of common stock in the offering. If any of the following persons purchases shares of common stock, their purchases, in all categories of the offering, when combined with your purchases, cannot exceed 30,000 shares ($300,000):

- your spouse or relatives of you or your spouse living in your house;
- most companies, trusts or other entities in which you are a trustee, have a substantial beneficial interest or hold a senior management position; or
- other persons who may be your associates or persons acting in concert with you.

See the detailed descriptions of acting in concert and associate in The Conversion Limitations on Common Stock Purchases.

How You May Purchase Shares of Common Stock

In the subscription offering and community offering, you may pay for your shares only by:

- personal check, bank check or money order, made payable to Standard Financial Corp.; or
- authorizing us to withdraw funds from the types of Standard Bank deposit accounts permitted on the stock order form.

Standard Bank is not permitted to knowingly lend funds to anyone for the purpose of purchasing shares of common stock in the offering. Additionally, you may not submit a check drawn on a Standard Bank line of credit, and you may not submit a third-party check to pay for shares of common stock. Please do not submit cash. Wire transfers may not be used to pay for shares of common stock.

You can subscribe for shares of common stock in the offering by delivering a signed and completed original stock order form, together with full payment or authorization to withdraw from one or more of your Standard Bank deposit accounts (other than accounts with check-writing privileges), so that it is received (not postmarked) before 2:00 p.m., Eastern Time, on September 17, 2010, which is the expiration of the offering period. You may submit your stock order form by mail using the stock order reply envelope provided, by overnight courier to the indicated address on the order form or by hand-delivery to Standard Bank s executive office, which is located at 2640 Monroeville Boulevard, Monroeville, Pennsylvania. We will not accept stock order forms at other Standard Bank offices. Please do not mail stock order forms to Standard Bank.

You may be able to subscribe for shares of common stock using funds in your individual retirement account (IRA) or other retirement account. If you wish to use some or all of the funds in your Standard Bank IRA or other Standard Bank retirement account to purchase our common stock, the applicable funds must first be transferred to a self-directed account maintained by an independent trustee, such as a brokerage firm, and the purchase must be made through that account. Because individual circumstances differ and processing of retirement fund orders takes additional time, we recommend that you contact our Stock Information Center promptly, preferably at least two weeks before the September 17, 2010 expiration of the offering period, for assistance with purchases using funds from your Standard

Bank retirement account or any retirement account that you may have *elsewhere*. Whether you may use such funds for the purchase of shares in the stock offering may depend on time constraints and, possibly, limitations imposed by the brokerage firm or institution where your funds are held.

See The Conversion Procedure for Purchasing Shares for a complete description of how to purchase shares in the stock offering.

Deadline for Orders of Common Stock

The deadline for purchasing shares of common stock in the offering is 2:00 p.m., Eastern Time, on September 17, 2010. Your stock order form, with full payment, must be *received* (not postmarked) by 2:00 p.m., Eastern Time on September 17, 2010.

Although we will make reasonable attempts to provide a prospectus and offering materials to holders of subscription rights, the subscription offering and all subscription rights will expire at 2:00 p.m., Eastern Time, on September 17, 2010, whether or not we have been able to locate each person entitled to subscription rights.

See The Conversion Procedure for Purchasing Shares for a complete description of how to purchase shares in the stock offering.

Delivery of Shares of Common Stock in the Subscription and Community Offerings

Stock certificates will not be issued (except to directors and executive officers, whose ability to sell their shares of common stock is restricted by federal securities and banking laws). Instead, all shares of common stock sold in the subscription and community offerings will be issued in book-entry form, through the Direct Registration System, which allows each investor s shares to be maintained on the books of our transfer agent. Shortly after the conversion is completed, our transfer agent will issue DRS statements to investors, reflecting their stock ownership. Statements will be sent by first class mail to the stock registration address noted by the investor on the stock order form. Though investors will not possess a stock certificate, they will retain all stockholder rights, including the ability to sell shares. **Although the shares of common stock will have begun trading, brokerage firms are likely to require that you have received your statement prior to selling your shares.** You will be able to purchase additional shares of Standard Financial Corp. common stock through a brokerage firm.

After-Market Stock Price Performance Provided by Independent Appraiser

The following table presents stock price performance information for all standard mutual-to-stock conversions completed between January 1, 2009 and May 28, 2010. None of these companies was included in the group of 10 comparable public companies utilized in RP Financial, LC. s valuation analysis.

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Mutual-to-Stock Conversion Offerings with Closing Dates between January 1, 2009 and May 28, 2010

Company Name and Ticker Symbol	Conversion Date	Exchange	Percentage Price Appreciation (Depreciation) From Initial Trading Date (%) One Day	(%) One Week	(%) One Month	Through May 28, 2010 (%)
Harvard Illinois Bancorp, Inc. (HARI)	4/09/10	OTCBB	0.0	0.0	(1.0)	(21.5)
OBA Financial Services, Inc. (OBAF)	1/22/10	NASDAQ	3.9	1.1	3.0	14.6
OmniAmerican Bancorp, Inc. (OABC)	1/21/10	NASDAQ	18.5	13.2	9.9	15.7
Versailles Financial Corp. (VERF)	1/13/10	OTCBB	0.0	0.0	0.0	0.0
Athens Bancshares, Inc. (AFCB)	1/07/10	NASDAQ	16.0	13.9	10.6	6.0
Territorial Bancorp, Inc. (TBNK)	7/15/09	NASDAQ	49.9	47.5	48.7	97.0
St. Joseph Bancorp, Inc. (SJBA)	2/02/09	OTCBB	0.0	0.0	0.0	0.0
Hibernia Hmstd Bncrp, Inc. (HIBE)	1/28/09	OTCBB	5.0	5.0	5.0	50.0
Average			11.7	10.1	9.5	20.2
Median			4.5	3.1	4.0	10.3
High			49.9	47.5	48.7	97.0
Low			0.0	0.0	(1.0)	(21.5)

Stock price performance is affected by many factors, including, but not limited to: general market and economic conditions; the interest rate environment; the amount of proceeds a company raises in its offering; and numerous factors relating to the specific company, including the experience and ability of management, historical and anticipated operating results, the nature and quality of the company s assets, and the company s market area. None of the companies listed in the table above are exactly similar to Standard Financial Corp. The pricing ratios for their stock offerings were in some cases different from the pricing ratios for Standard Financial Corp. s common stock and the market conditions in which these offerings were completed were, in most cases, different from current market conditions. The performance of these stocks may not be indicative of how our stock will perform.

There can be no assurance that our stock price will not trade below $10.00 per share, as has been the case for many mutual-to-stock conversions. Before you make an investment decision, we urge you to carefully read this prospectus, including, but not limited to, the section entitled Risk Factors beginning on page 17.

Steps We May Take If We Do Not Receive Orders for the Minimum Number of Shares

If we do not receive orders for at least 2,550,000 shares of common stock, we may take the following steps to issue the minimum number of shares of common stock in the offering range:

- increase the maximum purchase limitations; and/or
- seek the approval of the Pennsylvania Department of Banking and the Federal Reserve Board to extend the offering beyond November 1, 2010, so long as we resolicit subscriptions that we have previously received in the offering.

If one or more purchase limitations are increased, subscribers in the subscription offering who ordered the maximum amount and indicated on their stock order forms a desire to be resolicited, will be given the opportunity to increase their subscription up to the then-applicable limit.

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Possible Change in the Offering Range

RP Financial, LC. will update its appraisal before we complete the offering. If, as a result of demand for the shares or changes in market conditions, RP Financial, LC. determines that our pro forma market value has increased, we may sell up to 3,967,500 shares in the offering without further notice to you. If our pro forma market value including the shares to be issued to the foundation (following the completion of any authorized extension of the offering) is either below $26.4 million or above $41.1 million and the number of shares of common stock to be sold is increased to more than 3,967,500 shares or decreased to fewer than 2,550,000 shares, we will cancel subscribers orders, promptly return all funds with interest, cancel deposit account withdrawal authorizations and establish a new offering range. Subscribers will be given an opportunity to place a new stock order.

In the event that we extend the offering without changing the stock offering range and conduct a resolicitation, we will notify subscribers of the extension of time and of the rights of subscribers to maintain, change or cancel their stock orders within a specified period. If a subscriber does not respond during the period, his or her stock order will be cancelled and payment will be returned promptly, with interest calculated at our statement savings rate, and deposit account withdrawal authorizations will be cancelled.

Possible Termination of the Offering

We may terminate the offering at any time and for any reason prior to the special meeting of depositors of Standard Bank that is being called to vote upon the conversion, and at any time after depositor approval with the approval of the Pennsylvania Department of Banking and the Federal Reserve Board. If we terminate the offering, we will promptly return your funds with interest calculated at Standard Bank s statement savings rate, and we will cancel deposit account withdrawal authorizations.

How We Intend to Use the Proceeds From the Offering

We intend to invest 50% of the net proceeds from the offering in Standard Bank, loan funds to our employee stock ownership plan to fund its purchase of our shares of common stock, contribute $200,000 in cash and a number of shares of common stock with a value equal to 3.5% of the shares sold in the offering to the charitable foundation and retain the remainder of the net proceeds from the offering. Therefore, assuming we sell 3,000,000 shares of common stock in the stock offering, and we have net proceeds of $28.6 million, we intend to invest $14.3 million in Standard Bank, loan $2.5 million to our employee stock ownership plan to fund its purchase of our shares of common stock, contribute $200,000 to Standard Charitable Foundation, and retain the remaining $11.6 million of the net proceeds.

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The following table summarizes how we intend to distribute the net proceeds from the stock offering, based on the sale of share at the minimum and maximum of the offering range:

(In thousands)	2,550,000 Shares at $10.00 Per Share	3,450,000 Shares at $10.00 Per Share
Offering Proceeds	$ 25,500,000	$ 34,500,000
Less: offering expenses (estimated)	1,356,000	1,439,000
Net offering proceeds	24,144,000	33,061,000
Less:		
Proceeds contributed to Standard Bank	12,072,000	16,531,000
Cash contributed to foundation	200,000	200,000
Proceeds used for loan to employee stock ownership plan	2,111,000	2,857,000
Proceeds retained by Standard Financial Corp.	$ 9,761,000	$ 13,474,000

We may use the funds we retain for investments, to pay cash dividends, to repurchase shares of common stock and for other general corporate purposes. Standard Bank may use the proceeds it receives from us to support increased lending and other products and services, and to repay borrowings.

Please see the section of this prospectus entitled How We Intend to Use the Proceeds from the Offering for more information on the proposed use of the proceeds from the offering.

You May Not Sell or Transfer Your Subscription Rights

Regulations issued by the Office of Thrift Supervision or Federal Deposit Insurance Corporation, as implemented by the Pennsylvania Department of Banking and Federal Reserve Board, prohibit you from transferring your subscription rights. If you order shares of common stock in the subscription offering, you will be required to state that you are purchasing the shares of common stock for yourself and that you have no agreement or understanding to sell or transfer your subscription rights. We intend to take legal action, including reporting persons to federal or state regulatory agencies, against anyone who we believe has sold or given away his or her subscription rights. We will not accept your order if we have reason to believe that you have sold or transferred your subscription rights. When completing your stock order form, you should not add the name(s) of persons who do not have subscription rights or who qualify in a lower subscription offering priority than you do. In addition, the stock order form requires that you list all deposit accounts, giving all names on each account and the account number at the applicable eligibility record date. Your failure to provide this information, or providing incomplete or incorrect information, may result in a loss of part or all of your share allocation, if there is an oversubscription.

Purchases by Officers and Directors

We expect our directors and executive officers, together with their associates, to subscribe for 160,000 shares ($1.6 million) of common stock in the offering, or 6.3% of the shares to be sold at the minimum of the offering range. The purchase price paid by our directors and executive officers for their shares will be the same $10.00 per share price paid by all other persons who purchase shares of common stock in the offering.

See Subscriptions by Directors and Executive Officers for more information on the proposed purchases of our shares of common stock by our directors and executive officers.

Benefits to Management and Potential Dilution to Stockholders Following the Conversion

We expect our employee stock ownership plan, which is a tax-qualified retirement plan for the benefit of all our employees, to purchase 8% of the total number of shares of common stock that we sell in the offering and issue to the charitable foundation. Purchases by the employee stock ownership plan will be included in determining whether the required minimum number of shares has been sold in the offering. We reserve the right to purchase shares of common stock in the open market following the stock offering in order to fund all or a portion of the employee stock ownership plan.

Our current intention is to adopt one or more stock-based benefit plans no earlier than twelve months after completion of the conversion. Stockholder approval of these plans will be required, and the stock-based benefit plans cannot be implemented until at least six months after the completion of the conversion pursuant to regulations as implemented by the Pennsylvania Department of Banking and the Federal Reserve Board. If adopted within 12 months following the completion of the conversion, the stock-based benefit plan will reserve a number of shares of common stock equal to not more than 4% of the shares sold in the offering and issued to the charitable foundation (reduced by amounts purchased in the stock offering by our 401(k) plan using its purchase priority in the stock offering), for restricted stock awards to key employees and directors, at no cost to the recipients, and will also reserve a number of stock options equal to not more than 10% of the shares of common stock sold in the offering and issued to the charitable foundation for key employees and directors. If the stock-based benefit plans are adopted after one year from the date of the completion of the conversion, the 4% and 10% limitations described above will no longer apply, and we may adopt stock-based benefit plans encompassing more than 14% of our shares of common stock.

The following table summarizes the number of shares of common stock and aggregate dollar value of grants (valuing each share granted at the offering price of $10.00) that would be available under one or more stock-based benefit plans if such plans reserve a number of shares of common stock equal to not more than 4% and 10% of the shares sold in the offering and issued to the charitable foundation for restricted stock awards and stock options, respectively. The table shows the dilution to stockholders if all of these shares are issued from authorized but unissued shares, instead of shares purchased in the open market. The table also sets forth the number of shares of common stock to be acquired by the employee stock ownership plan for allocation to all eligible employees.

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	Number of Shares to be Granted or Purchased				Value of Grants (1)	
	At Minimum of Offering Range	At Adjusted Maximum of Offering Range	As a Percentage of Common Stock to be Issued (2)	Dilution Resulting From Issuance of Shares for Stock Benefit Plans	At Minimum of Offering Range	At Adjusted Maximum of Offering Range
					(Dollars in thousands)	
Employee stock ownership plan	211,140	328,509	8.00%		$ 2,111	$ 3,285
Stock awards	105,570	164,255	4.00	3.85%	1,056	1,643
Stock options	263,925	410,636	10.00	9.09%	784	1,220
Total	580,635	903,400	22.00%	12.28%	$ 3,951	$ 6,148

(1) The actual value of restricted stock grants will be determined based on their fair value as of the date grants are made. For purposes of this table, fair value is assumed to be the same as the offering price of $10.00 per share. The fair value of stock options has been estimated at $2.97 per option using the Black-Scholes option pricing model, based upon assumptions described in Pro Forma Data.

The actual expense of stock options granted under a stock-based benefit plan will be determined by the grant-date fair value of the options, which will depend on a number of factors, including the valuation assumptions used in the option pricing model ultimately adopted, which may or may not be the Black-Scholes model.

(2) The stock-based benefit plans may award a greater number of options and shares and issued to the charitable foundation, respectively, if the plans are adopted more than 12 months after the completion of the conversion.

In addition to the stock-based benefit plans that we may adopt, we intend to enter into employment agreements and change of control agreements with certain of our executive and other officers. See Management of Standard Financial Corp. Executive Officer Compensation for a further discussion of these agreements, including their terms and potential costs, as well as a description of other benefits arrangements. In addition, for further information with respect to the expenses related to the stock-based benefit plans, see Risk Factors Our stock-based benefit plans will increase our costs, which will reduce our income and Management of Standard Financial Corp. Benefits to be Considered Following Completion of the Stock Offering.

Market for Common Stock

We expect that our common stock will be listed for trading on the Nasdaq Capital Market under the symbol STND. Stifel, Nicolaus & Company currently intends to make a market in the shares of our common stock, but is under no obligation to do so. See Market for the Common Stock.

Our Issuance of Shares of Common Stock and Cash to the Charitable Foundation

To further our commitment to the communities we serve and may serve in the future, we intend, subject to approval of our depositors, to establish and fund a new charitable foundation as part of the conversion. Standard Financial Corp. intends to contribute to the charitable foundation $200,000 in cash and shares of common stock with an aggregate value of stock equal to 3.5% of the shares sold in the stock offering. These shares and cash will have a value of $1.1 million at the minimum of the valuation range and $1.4 million at the maximum of the valuation range, subject to adjustment to $1.6 million. As a result of the issuance of shares to the charitable foundation and the cash contribution, we expect to record an after-tax expense of approximately $700,000 at the minimum of the valuation range and approximately $1.0 million at the adjusted maximum of the valuation range, during the quarter in which the conversion is completed.

Under the Internal Revenue Code, a corporate entity is generally permitted to deduct up to 10% of its taxable income (taxable income before the charitable contributions deduction) in any one year for charitable contributions. Any contribution in excess of the 10% limit may generally be deducted for federal income tax purposes over the five years following the year in which the charitable contribution

was made. Accordingly, a charitable contribution by a corporate entity to a charitable foundation could, if necessary, be deducted for federal income tax purposes over a six-year period. Our overall charitable contribution deduction could be limited if our future taxable income is insufficient to allow for the full deduction within the 10% of taxable income limitation, which would result in an increase to income tax expense.

The new charitable foundation will be governed by a Board of Directors, initially consisting of the current members of the Company s Board of Directors (except for Timothy K. Zimmerman, our President, Chief Executive Officer and a director), and one individual who is not affiliated with us. None of these individuals will receive compensation for their service as a director of the charitable foundation. In addition, some of our employees will serve as executive officers of the charitable foundation. None of these individuals will receive compensation for their service as an executive officer of the charitable foundation.

The new charitable foundation will be dedicated to supporting charitable causes and community development activities in the communities in which we operate or may operate in the future. In addition to traditional community contributions and community reinvestment initiatives, the charitable foundation is expected to emphasize grants or donations to support housing assistance, local education and other types of organizations or civic-minded projects.

Issuing shares of common stock to the charitable foundation will:

- dilute the ownership interests of purchasers of shares of our common stock in the stock offering;
- dilute the voting interests of purchasers of shares of our common stock in the stock offering; and
- result in an expense, and a reduction in our earnings during the quarter in which the contribution is made, equal to the full amount of the contribution to the charitable foundation, offset in part by a potential corresponding tax benefit equal to up to 34.2% of such contribution.

The establishment and funding of the charitable foundation has been approved by the Board of Trustees of Standard Mutual Holding Company, and must be approved by the depositors of Standard Bank at its special meeting being held to consider and vote upon the plan of conversion. If depositors do not approve the establishment and funding of the charitable foundation, we will proceed with the conversion and offering without the foundation and subscribers for common stock will not be resolicited (unless required by the Federal Reserve Board or the Pennsylvania Department of Banking). Without the charitable foundation, RP Financial, LC. estimates that our pro forma valuation would be greater and, as a result, a greater number of shares of common stock would be issued in the offering. See Comparison of Valuation and Pro Forma Information With and Without the Charitable Foundation.

RP Financial, LC. will update its appraisal of our estimated pro forma market value at the conclusion of the offering. The pro forma market value reflected in that updated appraisal will be based on the facts and circumstances existing at that time, including, among other things, market and economic conditions, as well as whether the charitable foundation is formed and funded with shares of our common stock.

See Risk Factors The contribution of shares to the charitable foundation will dilute your ownership interests and adversely affect net income, Risk Factors Our contribution to the charitable

foundation may not be tax deductible, which could reduce our profits, Comparison of Valuation and Pro Forma Information With and Without the Charitable Foundation and Standard Charitable Foundation.

Our Policy Regarding Dividends

Following completion of the stock offering, our Board of Directors will have the authority to declare dividends on our common stock, subject to statutory and regulatory requirements. However, no decision has been made with respect to the amount, if any, and timing of any dividend payments. The payment and amount of any dividend payments will depend upon a number of factors.

For further information, see Our Policy Regarding Dividends.

Tax Consequences

As a general matter, the conversion will not be a taxable transaction for federal or state income tax purposes to Standard Mutual Holding Company, Standard Bank, Standard Financial Corp., or persons eligible to subscribe in the subscription offering. See The Conversion Material Income Tax Consequences for additional information.

Conditions to Completion of the Conversion and the Offering

We cannot complete the conversion and the offering unless:

- the plan of conversion is approved by at least *a majority of votes eligible* to be cast by depositors of Standard Bank. A special meeting of depositors to consider and vote upon the plan of conversion has been set for September 23, 2010;
- we have received and accepted orders to purchase at least the minimum number of shares of common stock offered; and
- we receive final approval of the Pennsylvania Department of Banking (from whom we have received conditional approval) and the Federal Reserve Board to complete the conversion and the offering.

How You Can Obtain Additional Information

Our branch office personnel may not, by law, assist with investment-related questions about the offering. If you have any questions regarding the conversion or the offering, please call our Stock Information Center, toll free, at (877) 821-5778, Monday through Friday between 10:00 a.m. and 4:00 p.m., Eastern Time. The Stock Information Center will be closed on weekends and bank holidays.

TO ENSURE THAT EACH PERSON RECEIVES A PROSPECTUS AT LEAST 48 HOURS PRIOR TO THE EXPIRATION DATE OF SEPTEMBER 17, 2010 IN ACCORDANCE WITH FEDERAL LAW, NO PROSPECTUS WILL BE MAILED OR HAND-DELIVERED ANY LATER THAN FIVE DAYS OR TWO DAYS, RESPECTIVELY, PRIOR TO SEPTEMBER 17, 2010.

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RISK FACTORS

You should consider carefully the following risk factors in evaluating an investment in our shares of common stock.

Risks Related to Our Business

Because we intend to continue to emphasize commercial real estate loan originations, our credit risk will increase and continued weakness in the local real estate market or economy could adversely affect our earnings.

We intend to continue our emphasis on originating commercial real estate loans. Commercial real estate loans generally have more risk than the one- to four-family residential real estate loans we originate. Because the repayment of commercial real estate loans depends on the successful management and operation of the borrower s properties or related businesses, repayment of such loans can be affected by adverse conditions in the local real estate market or economy. Commercial real estate loans may also involve relatively large loan balances to individual borrowers or groups of related borrowers. Any continued weakness or downturn in the real estate market or the local economy could adversely affect the value of properties securing the loan or the revenues from the borrower s business, thereby increasing the risk of nonperforming loans. As our commercial real estate portfolio increases, the corresponding risks and potential for losses from these loans may also increase.

If our allowance for loan losses is not sufficient to cover actual loan losses, our earnings will decrease.

We make various assumptions and judgments about the collectability of our loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for the repayment of many of our loans. In determining the amount of the allowance for loan losses, we review our loans and our loss and delinquency experience, and we evaluate economic conditions. If our assumptions are incorrect, our allowance for loan losses may not be sufficient to cover probable incurred losses in our loan portfolio, resulting in additions to our allowance. Material additions to our allowance could materially decrease our net income.

In addition, bank regulators periodically review our allowance for loan losses and may require us to increase our allowance for loan losses or recognize further loan charge-offs. Any increase in our allowance for loan losses or loan charge-offs as required by these regulatory authorities might have a material adverse effect on our financial condition and results of operations.

Future changes in interest rates could reduce our profits.

Our ability to make a profit largely depends on our net interest income, which could be negatively affected by changes in interest rates. Net interest income is the difference between:

- the interest income we earn on our interest-earning assets, such as loans and securities; and
- the interest expense we pay on our interest-bearing liabilities, such as deposits and borrowings.

As a result of our historical focus on one- to four-family residential real estate loans, the majority of our loans have fixed interest rates. Additionally, many of our securities investments have fixed interest rates. Like many savings institutions, our focus on deposit accounts as a source of funds, which have no

stated maturity date or short contractual maturities, results in our liabilities having a shorter duration than our assets. For example, as of March 31, 2010, 42.3% of our loans had maturities of 15 years or longer, while 28.3% of our certificates of deposit had maturities of one year or less. This imbalance can create significant earnings volatility, because market interest rates change over time. In a period of rising interest rates, the interest income earned on our assets, such as loans and investments, may not increase as rapidly as the interest paid on our liabilities, such as deposits. In a period of declining interest rates, the interest income earned on our assets may decrease more rapidly than the interest paid on our liabilities, as borrowers prepay mortgage loans, and mortgage-backed securities and callable investment securities are called or prepaid, thereby requiring us to reinvest these cash flows at lower interest rates. See Management s Discussion and Analysis of Financial Condition and Results of Operations Management of Market Risk.

Changes in interest rates creates reinvestment risk, which is the risk that we may not be able to reinvest prepayments at rates that are comparable to the rates we earned on the prepaid loans or securities in a declining interest rate environment. Additionally, increases in interest rates may decrease loan demand and/or make it more difficult for borrowers to repay adjustable-rate loans. Changes in interest rates also affect the current fair value of our interest-earning securities portfolio. Generally, the value of securities moves inversely with changes in interest rates.

At March 31, 2010, the rate shock analysis indicated that our net portfolio value (the difference between the present value of our assets and the present value of our liabilities) would decrease by $2.6 million, or 4.9%, if there was an instantaneous 200 basis point increase in market interest rates. See Management s Discussion and Analysis of Financial Condition and Results of Operations Management of Market Risk.

Concentration of loans in our primary market area, which has experienced an economic downturn, may increase the risk of increased nonperforming assets.

Our success depends primarily on the general economic conditions in the Pennsylvania counties of Allegheny, Westmoreland and Bedford and Allegany County, Maryland, as nearly all of our loans are to customers in these markets. Accordingly, the local economic conditions in these markets (and the Pittsburgh market area in general) have a significant impact on the ability of borrowers to repay loans as well as our ability to originate new loans. As such, a continuation of the decline in real estate values in these markets would also lower the value of the collateral securing loans on properties in these markets. In addition, a continued weakening in general economic conditions such as inflation, recession, unemployment or other factors beyond our control could negatively affect our financial results.

According to the National Association of Realtors statistics, the median sales price for existing single family homes in the Pittsburgh, Pennsylvania metropolitan area decreased from $120,700 in 2007 to $118,900 in 2009. The median sales price for existing homes in the United States also decreased from $217,900 in 2007 to $172,100 in 2009. Home prices in the Pittsburgh metropolitan area have been and continue to be below the national averages, which makes home ownership more affordable for customers in our market area.

The slowing local economy also has resulted in a rise in delinquency and foreclosure rates. For the Commonwealth of Pennsylvania, foreclosure activity rose to 44,732 filings in 2009, a 20% increase from the level reported for 2008. For the State of Maryland, foreclosure activity rose to 43,248 filings in 2009, a 33.7% increase from the level reported for 2008.

Continued and sustained deterioration in the housing sector and related markets and prolonged elevated unemployment levels may adversely affect our business and financial results.

During 2009 and the beginning of 2010, general economic conditions continued to worsen nationally as well as in our market area. While we did not invest in sub-prime mortgages and related investments, our lending business is tied significantly to the housing market. Declines in home prices, and increases in foreclosures and unemployment levels, have adversely impacted the credit performance of real estate loans, resulting in the write-down of asset values. The continuing housing slump has resulted in reduced demand for the construction of new housing, further declines in home prices, and increased delinquencies on construction, residential and commercial mortgage loans. The ongoing concern about the economy in general has caused many lenders to reduce or cease providing funding to borrowers. These conditions may also cause a further reduction in loan demand, and increases in our non-performing assets, net charge-offs and provisions for loan losses. A worsening of these negative economic conditions could adversely affect our prospects for growth, asset and goodwill valuations and could result in a decrease in our interest income and a material increase in our provision for loan losses.

If our investment in the common stock of the Federal Home Loan Bank of Pittsburgh is classified as other-than-temporarily impaired or as permanently impaired, our earnings and stockholders equity could decrease.

We own common stock of the Federal Home Loan Bank of Pittsburgh. We hold this stock to qualify for membership in the Federal Home Loan Bank System and to be eligible to borrow funds under the Federal Home Loan Bank of Pittsburgh s advance program. The aggregate cost and fair value of our Federal Home Loan Bank of Pittsburgh common stock as of March 31, 2010 was $3.4 million based on its par value. There is no market for our Federal Home Loan Bank of Pittsburgh common stock.

Published reports indicate that certain member banks of the Federal Home Loan Bank System may be subject to accounting rules and asset quality risks that could result in materially lower regulatory capital levels. In an extreme situation, it is possible that the capital of a Federal Home Loan Bank, including the Federal Home Loan Bank of Pittsburgh, could be substantially diminished or reduced to zero. Consequently, we believe that there is a risk that our investment in Federal Home Loan Bank of Pittsburgh common stock could be impaired at some time in the future, and if this occurs, it would cause our earnings and stockholders equity to decrease by the after-tax amount of the impairment charge.

Continued or further declines in the value of certain investment securities could require write-downs, which would reduce our earnings.

Our securities portfolio includes securities that have declined in value due to negative perceptions about the health of the financial sector in general and the lack of liquidity for securities that are real estate related. A prolonged decline in the value of these or other securities could result in an other-than-temporary impairment write-down which would reduce our earnings.

The requirement to account for certain assets at estimated fair value, and a proposal to account for additional financial assets and liabilities at estimated fair value, may adversely affect our stockholders equity and results of operations.

We report certain assets, including securities, at fair value, and a recent proposal would require us to report nearly all of our financial assets and liabilities at fair value. Generally, for assets that are reported at fair value, we use quoted market prices or valuation models that utilize observable market inputs to estimate fair value. Because we carry these assets on our books at their estimated fair value, we may incur losses even if the asset in question presents minimal credit risk. Under current accounting

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requirements, elevated delinquencies, defaults, and estimated losses from the disposition of collateral in our private-label mortgage-backed security may require us to recognize additional other-than-temporary impairments in future periods with respect to our securities portfolio. The amount and timing of any impairment recognized will depend on the severity and duration of the decline in the estimated fair value of the asset and our estimate of the anticipated recovery period. Under proposed accounting requirements, we may be required to record reductions in the fair value of nearly all of our financial assets and liabilities (including loans) either through a charge to net income or through a reduction to accumulated other comprehensive income. Accordingly, we could be required to record charges on assets such as loans where we have no intention to sell the loan and expect to receive repayment in full on the loan. This could result in a decrease in net income, or a decrease in our stockholders equity, or both.

Government responses to economic conditions may adversely affect our operations, financial condition and earnings.

Recently enacted financial institution legislation will change the bank regulatory framework, create an independent consumer protection bureau that will assume the consumer protection responsibilities of the various federal banking agencies, and establish more stringent capital standards for banks and bank holding companies. The legislation will also result in additional regulations affecting the lending, funding, trading and investment activities of banks and bank holding companies. Bank regulatory agencies also have been responding aggressively to concerns and adverse trends identified in examinations. Ongoing uncertainty and adverse developments in the financial services industry and the domestic and international credit markets, and the effect of new legislation and regulatory actions in response to these conditions, may adversely affect our operations by restricting our business operations, including our ability to originate or sell loans, modify loan terms, or foreclose on property securing loans. These events may have a significant adverse effect on our financial performance and operating flexibility. In addition, these risks could affect the performance and value of our loan and investment securities portfolios, which also would negatively affect our financial performance.

Furthermore, the Board of Governors of the Federal Reserve System, in an attempt to help the overall economy, has, among other things, kept interest rates low through its targeted federal funds rate and the purchase of mortgage-backed securities. If the Federal Reserve increases the federal funds rate, overall interest rates will likely rise, which may negatively impact the housing markets and the U.S. economic recovery. In addition, deflationary pressures, while possibly lowering our operating costs, could have a significant negative effect on our borrowers, especially our business borrowers, and the values of underlying collateral securing loans, which could negatively affect our financial performance.

Recently enacted financial reform legislation will, among other things, create a new Consumer Financial Protection Bureau, tighten capital standards and result in new laws and regulations that are expected to increase our costs of operations.

On July 21, 2010, the President signed the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act). This new law will significantly change the current bank regulatory structure and affect the lending, deposit, investment, trading and operating activities of financial institutions and their holding companies. The Dodd-Frank Act requires various federal agencies to adopt a broad range of new implementing rules and regulations, and to prepare numerous studies and reports for Congress. The federal agencies are given significant discretion in drafting the implementing rules and regulations, and consequently, many of the details and much of the impact of the Dodd-Frank Act may not be known for many months or years.

Effective one year after the date of enactment is a provision for the Dodd-Frank Act that eliminates the federal prohibitions on paying interest on demand deposits, thus allowing businesses to

have interest bearing checking accounts. Depending on competitive responses, this significant change to existing law could have an adverse impact on our interest expense.

The Dodd-Frank Act also broadens the base for Federal Deposit Insurance Corporation deposit insurance assessments. Assessments will now be based on the average consolidated total assets less tangible equity capital of a financial institution, rather than deposits. The Dodd-Frank Act also permanently increases the maximum amount of deposit insurance for banks, savings institutions and credit unions to $250,000 per account, retroactive to January 1, 2009, and non-interest bearing transaction accounts have unlimited deposit insurance through December 31, 2012. The legislation also increases the required minimum reserve ratio for the Deposit Insurance Fund, from 1.15% to 1.35% of insured deposits, and directs the FDIC to offset the effects of increased assessments on depository institutions with less than $10 billion in assets.

The Dodd-Frank Act will require publicly traded companies to give stockholders a non-binding vote on executive compensation and so-called golden parachute payments, and authorizes the Securities and Exchange Commission to promulgate rules that would allow stockholders to nominate their own candidates using a company s proxy materials. It also provides that the listing standards of the national securities exchanges shall require listed companies to implement and disclose clawback policies mandating the recovery of incentive compensation paid to executive officers in connection with accounting restatements. The legislation also directs the Federal Reserve Board to promulgate rules prohibiting excessive compensation paid to bank holding company executives, regardless of whether the company is publicly traded or not.

The Dodd-Frank Act creates a new Consumer Financial Protection Bureau with broad powers to supervise and enforce consumer protection laws. The Consumer Financial Protection Bureau has broad rule-making authority for a wide range of consumer protection laws that apply to all banks and savings institutions, including the authority to prohibit unfair, deceptive or abusive acts and practices. The Consumer Financial Protection Bureau has examination and enforcement authority over all banks and savings institutions with more than $10 billion in assets. Savings banks, such as Standard Bank, with $10 billion or less in assets will continue to be examined for compliance with the consumer laws by their primary bank regulators. The Dodd-Frank Act also weakens the federal preemption rules that have been applicable for national banks and federal savings associations, and gives state attorneys general the ability to enforce federal consumer protection laws.

The Dodd-Frank Act requires minimum leverage (Tier 1) and risk based capital requirements for bank and savings and loan holding companies that are no less than those applicable to banks, which will exclude certain instruments that previously have been eligible for inclusion by bank holding companies as Tier 1 capital, such as trust preferred securities.

It is difficult to predict at this time what specific impact the Dodd-Frank Act and the yet to be written implementing rules and regulations will have on community banks. However, it is expected that at a minimum they will increase our operating and compliance costs and could increase our interest expense.

We are subject to extensive regulatory oversight.

We and our subsidiaries are subject to extensive regulation and supervision. Regulators have intensified their focus on bank lending criteria and controls, and on the USA PATRIOT Act s anti-money laundering and Bank Secrecy Act compliance requirements. There also is increased scrutiny of our compliance practices generally and particularly with the rules enforced by the Office of Foreign Assets Control. It is possible that we are not in full compliance with these requirements. Our failure to comply with these and other regulatory requirements could lead to, among other remedies, administrative

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enforcement actions and legal proceedings. In addition, proposed future legislation and regulations are likely to have a significant effect on the financial services industry. Regulatory or legislative changes could make regulatory compliance more difficult or expensive for us, and could cause us to change or limit some of our products and services, or the way we operate our business.

Strong competition within our market areas may limit our growth and profitability.

Competition in the banking and financial services industry is intense. In our market areas we compete with commercial banks, savings institutions, mortgage brokerage firms, credit unions, finance companies, mutual funds, insurance companies, and brokerage and investment banking firms operating locally and elsewhere. Some of our competitors have greater name recognition and market presence that benefits them in attracting business, and offer certain services that we do not or cannot provide. In addition, larger competitors may be able to price loans and deposits more aggressively than we do, which could affect our ability to grow and remain profitable on a long-term basis. Our profitability depends upon our continued ability to successfully compete in our market areas. If we must raise interest rates paid on deposits or lower interest rates charged on our loans, our net interest margin and profitability could be adversely affected. For additional information see Business of Standard Bank Competition.

Legislative or regulatory responses to perceived financial and market problems could impair our rights against borrowers.

Current and future proposals made by members of Congress would reduce the amount distressed borrowers are otherwise contractually obligated to pay under their mortgage loans, and may limit the ability of lenders to foreclose on mortgage collateral. If proposals such as these, or other proposals limiting Standard Bank s rights as a creditor, were to be implemented, we could experience increased credit losses on our loans and mortgage-backed securities, or increased expense in pursuing our remedies as a creditor.

Recent health care legislation could increase our expenses or require us to pass further costs on to our employees, which could adversely affect our operations, financial condition and earnings.

Legislation enacted in 2010 requires companies to provide expanded health care coverage to their employees, such as affordable coverage to part-time employees and coverage to dependent adult children of employees. Companies will also be required to enroll new employees automatically into their health plans. Compliance with these and other new requirements of the health care legislation will increase our employee benefits expense, and may require us to pass these costs on to our employees, which could give us a competitive disadvantage in hiring and retaining qualified employees.

Any future Federal Deposit Insurance Corporation insurance premium increases will adversely affect our earnings. The Federal Deposit Insurance Corporation adopted a rule that required us to prepay insurance premiums.

In May 2009, the Federal Deposit Insurance Corporation adopted a final rule levying a five basis point special assessment on each insured depository institution s assets minus Tier 1 capital as of June 30, 2009. We recorded an expense of $177,000 during the quarter ended June 30, 2009, to reflect the special assessment. Any further special assessments that the Federal Deposit Insurance Corporation levy will be recorded as an expense during the appropriate period. In addition, the Federal Deposit Insurance Corporation increased the general assessment rate and our prior credits for federal deposit insurance were fully utilized during the quarter ended June 30, 2009. Therefore, our Federal Deposit Insurance Corporation general insurance premium expense will increase compared to prior periods.

The Federal Deposit Insurance Corporation also issued a final rule pursuant to which all insured depository institutions were required to prepay on December 30, 2009 their estimated assessments for the fourth quarter of 2009, and for all of 2010, 2011 and 2012. We prepaid $1.5 million of our assessments on December 30, 2009, based on our deposits and assessment rate as of September 30, 2009.

Risks Related to this Stock Offering

The future price of the shares of common stock may be less than the purchase price in the stock offering.

If you purchase shares of common stock in the stock offering, you may not be able to sell them at or above the purchase price in the stock offering. The aggregate purchase price of the shares of common stock sold in the offering and issued to the charitable foundation is determined by an independent, third-party appraisal, pursuant to federal banking regulations and subject to review by the Pennsylvania Department of Banking and the Federal Reserve Board. The appraisal is not intended, and should not be construed, as a recommendation of any kind as to the advisability of purchasing shares of common stock. Following the completion of the stock offering, our aggregate pro forma market value will be based on the market trading price of the shares, and not the final, approved independent appraisal, which may result in our stock trading below the initial offering price of $10.00 per share.

Our return on equity will be low following the stock offering. This could negatively affect the trading price of our shares of common stock.

Net income divided by average equity, known as return on equity, is a ratio many investors use to compare the performance of a financial institution to its peers. Following the stock offering, we expect our consolidated equity to be between $64.7 million at the minimum of the offering range and $77.2 million at the adjusted maximum of the offering range. Based upon our pro forma net income for the six months ended March 31, 2010, and these pro forma equity levels, our annualized return on equity would be 4.75% and 4.00% at the minimum and adjusted maximum of the offering range, respectively. We expect our return on equity to remain low until we are able to leverage the additional capital we receive from the stock offering. Although we will be able to increase net interest income using proceeds of the stock offering, our return on equity will be negatively affected by higher expenses from the costs of being a public company and added expenses associated with our employee stock ownership plan and the stock-based benefit plan we intend to adopt. Until we can increase our net interest income and noninterest income and leverage the capital raised in the stock offering, we expect our return on equity to remain low, which may reduce the value of our shares of common stock.

Our stock-based benefit plans will increase our costs, which will reduce our income.

We anticipate that our employee stock ownership plan will purchase 8% of the total shares of common stock sold in the stock offering and issued to the charitable foundation, with funds borrowed from Standard Financial Corp. We will record annual employee stock ownership plan expense in an amount equal to the fair value of shares of common stock committed to be released to employees. Assuming the employee stock ownership plan purchases 328,509 shares in the offering at the adjusted maximum of the offering range, we will recognize additional annual pre-tax compensation expense of $164,000 over a 20-year period, assuming the shares of common stock have a fair market value of $10.00 per share for the full 20-year period. If shares of common stock appreciate in value over time, compensation expense relating to the employee stock ownership plan will increase.

Our current intention is to adopt one or more stock-based benefit plans after the stock offering that would award participants shares of our common stock (at no cost to them) and/or options to purchase shares of our common stock. The number of shares of restricted stock or stock options reserved for

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issuance under any initial stock-based benefit plan may not exceed 4% and 10%, respectively, of our total outstanding shares, including shares issued to the charitable foundation, if these plans are adopted within 12 months after the completion of the conversion. We may grant shares of common stock and stock options in excess of these amounts provided the stock-based benefit plan is adopted more than one year following the stock offering. Assuming a $10.00 per option exercise price and an estimated grant-date fair value of the options utilizing a Black-Scholes option pricing analysis of $2.97 per option granted, with the value amortized over a five-year vesting period, the corresponding annual pre-tax expense associated with the stock options would be $244,000 at the adjusted maximum of the offering range. In addition, assuming that all shares of restricted stock are awarded at a price of $10.00 per share, and that the awards vest over a five-year period, the corresponding annual pre-tax expense associated with restricted stock awarded under a stock-based benefit plan would be $329,000 at the adjusted maximum. However, if we grant shares of common stock or options in excess of these amounts, such grants would increase our costs further. The shares of restricted stock granted under a stock-based benefit plan will be expensed by us over their vesting period at the fair market value of the shares on the date they are awarded.

The implementation of stock-based benefit plans may dilute your ownership interest. Historically, stockholders have approved these stock-based benefit plans.

We intend to adopt one or more stock-based benefit plans, which will allow participants to be awarded shares of common stock (at no cost to them) or options to purchase shares of our common stock, following the stock offering. These stock-based benefit plans will be funded through either open market purchases of shares of common stock or from the issuance of authorized but unissued shares of common stock. Our ability to repurchase shares of common stock to fund these plans will be subject to many factors, including, but not limited to, applicable regulatory restrictions on stock repurchases, the availability of stock in the market, the trading price of the stock, our capital levels, alternative uses for our capital and our financial performance. Although our current intention is to fund these plans with stock repurchases, we may not be able to conduct such repurchases. If we do not repurchase shares of common stock to fund these plans, then stockholders would experience a reduction in their ownership interest, which would total 3.85% in the event newly issued shares are used to fund stock options or awards of shares of common stock under these plans in an amount equal to 10% or 4%, respectively, of the shares issued in the stock offering and issued to the charitable foundation. We may grant shares of common stock and stock options in excess of these amounts provided the stock-based benefit plan is adopted more than one year following the stock offering.

Although the implementation of the stock-based benefit plan will be subject to stockholder approval, historically, the overwhelming majority of stock-based benefit plans adopted by savings institutions and their holding companies following mutual-to-stock conversions have been approved by stockholders.

We have not determined whether we will adopt stock-based benefit plans more than one year following the stock offering. Stock-based benefit plans adopted more than one year following the stock offering may exceed regulatory restrictions on the size of stock-based benefit plans adopted within one year, which would further increase our costs.

If we adopt stock-based benefit plans more than one year following the completion of the stock offering, then grants of shares of common stock or stock options under our stock-based benefit plans may exceed 4% and 10%, respectively, of our total outstanding shares. Stock-based benefit plans that provide for awards in excess of these amounts would increase our costs beyond the amounts estimated in Our stock-based benefit plans will increase our costs, which will reduce our income. Stock-based benefit plans that provide for awards in excess of these amounts could also result in dilution to stockholders in excess of that described in The implementation of stock-based benefit plans will dilute your

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ownership interest. Historically, stockholders have approved these stock-based benefit plans. Although the implementation of the stock-based benefit plan will be subject to stockholder approval, the determination as to the timing of the implementation of such a plan will be at the discretion of our Board of Directors. Our current intention is to adopt one or more stock-based benefit plans no earlier than twelve months after completion of the conversion.

The contribution of shares to the charitable foundation will dilute your ownership interests and adversely affect net income.

Subject to depositor approval, we intend to establish a charitable foundation in connection with the conversion. We will make a contribution to the charitable foundation in the form of $200,000 in cash and a number of shares of common stock with a value equal to 3.5% of the shares sold in the offering. The contribution of cash and shares of common stock will total $1.1 million at the minimum of the offering range, and up to $1.6 million at the adjusted maximum of the offering range. The aggregate contribution will have an adverse effect on our net income for the quarter and year in which we make the contribution to the charitable foundation. The after-tax expense of the contribution will reduce net income by approximately $1.0 million at the adjusted maximum of the offering range. We had net income of $1.5 million for the six months ended March 31, 2010 and $2.1 million for the year ended September 30, 2009, respectively. Persons purchasing shares in the stock offering will have their ownership and voting interests diluted by up to 3.4% due to the issuance of shares of common stock to the charitable foundation.

We intend to enter into employment agreements and change in control agreements with certain of our officers, all of which may increase our compensation costs or increase the cost of acquiring us.

We intend to enter into employment agreements with Timothy K. Zimmerman, our President and Chief Executive Officer, Colleen M. Brown, our Senior Vice President and Chief Financial Officer and Paul A. Knapp, our Senior Vice President and Chief Commercial Lending Officer. We also intend to enter into three change in control agreements with certain of our other officers. In the event of termination of employment of Mr. Zimmerman, Ms. Brown and Mr. Knapp other than for cause, or in the event of certain types of termination following a change in control, as set forth in the employment agreements, and assuming the agreements were in effect, the employment agreements provide for cash severance benefits that would cost up to approximately $1.5 million in the aggregate based on the compensation information included in Management of Standard Financial Corp. Executive Officer Compensation.

Our contribution to the charitable foundation may not be tax deductible, which could reduce our profits.

The Internal Revenue Service may not grant tax-exempt status to the charitable foundation. If the contribution is not deductible, we would not receive any tax benefit from the contribution. The total value of the contribution would be $1.6 million at the adjusted maximum of the offering range, which would result in after-tax expense of approximately $1.0 million. In the event that the Internal Revenue Service does not grant tax-exempt status to the charitable foundation or the contribution to the charitable foundation is otherwise not tax deductible, we would recognize after-tax expense up to the value of the entire contribution, or $1.6 million at the adjusted maximum of the offering range.

In addition, even if the contribution is tax deductible, we may not have sufficient taxable income to be able to use the deduction fully. Under the Internal Revenue Code, a corporate entity is generally permitted to deduct charitable contributions in an amount up to 10% of its taxable income (taxable income before the charitable contributions deduction) in any one year for charitable contributions. Any contribution in excess of the 10% limit may be deducted for federal income tax purposes over the five

years following the year in which the charitable contribution was made. Accordingly, a charitable contribution by a corporate entity could, if necessary, be deducted for federal income tax purposes over a six-year period. Our taxable income over this period may not be sufficient to fully use this deduction.

We have broad discretion in using the proceeds of the stock offering. Our failure to effectively use such proceeds could reduce our profits.

Standard Financial Corp. will use a portion of the net proceeds to finance the purchase of shares of common stock in the stock offering by the employee stock ownership plan, and may use the remaining net proceeds to pay dividends to stockholders, repurchase shares of common stock, purchase investment securities, deposit funds in Standard Bank, acquire other financial services companies or branch offices or for other general corporate purposes. Standard Bank may use the proceeds it receives to fund new loans, establish or acquire new branches, purchase investment securities, reduce a portion of our borrowings, or for general corporate purposes. We have not identified specific amounts of proceeds for any of these purposes and we will have significant flexibility in determining the amount of net proceeds we apply to different uses and the timing of such applications. Our failure to utilize these funds effectively could reduce our profitability. We have not established a timetable for the effective deployment of the proceeds and we cannot predict how long we will require to effectively deploy the proceeds.

Our stock value may be negatively affected by regulations that restrict takeovers.

For three years following the stock offering, federal regulations, as applied by the Pennsylvania Department of Banking and the Federal Reserve Board, may prohibit any person from acquiring or offering to acquire more than 10% of our common stock without the prior written approval of the Federal Deposit Insurance Corporation, the Pennsylvania Department of Banking and the Federal Reserve Board. See Restrictions on Acquisition of Standard Financial Corp. for a discussion of applicable regulations regarding acquisitions.

The corporate governance provisions in our articles of incorporation and bylaws, Standard Bank s stock charter and the corporate governance provisions under relevant state law, may prevent or impede the holders of our common stock from obtaining representation on our Board of Directors and may impede takeovers of the company.

Provisions in our articles of incorporation and bylaws, as well as the stock charter of Standard Bank, may prevent or impede holders of our common stock from obtaining representation on our Board of Directors and may make takeovers of Standard Financial Corp. more difficult. For example, our Board of Directors is divided into three staggered classes. A classified Board makes it more difficult for stockholders to change a majority of the directors because it generally takes at least two annual elections of directors for this to occur. In addition, our articles of incorporation include a provision that no person will be entitled to vote any shares of our common stock in excess of 10% of our outstanding shares of common stock. This limitation does not apply to the purchase of shares by a tax-qualified employee stock benefit plan established by us. Standard Bank s stock charter will contain a provision that for a period of five years from the closing of the conversion, no person other than Standard Financial Corp. may offer directly or indirectly to acquire the beneficial ownership of more than 10% of any class of equity security of Standard Bank. This limitation does not apply to the purchase of shares by a tax-qualified employee stock benefit plan established by us, as well as other acquisitions specified in the stock charter. In addition, our articles of incorporation and bylaws restrict who may call special meetings of stockholders and how directors may be removed from office. Additionally, in certain instances, the Maryland General Corporation Law requires a supermajority vote of our stockholders to approve a merger or other business combination with a large stockholder, if the proposed transaction is not approved by a majority of our directors. See Restrictions on Acquisition of Standard Financial Corp.

We will need to implement additional finance and accounting systems, procedures and controls in order to satisfy our new public company reporting requirements, which will increase our operating costs.

Upon completion of the stock offering, we will become a public reporting company. The federal securities laws and regulations of the Securities and Exchange Commission require that we file annual, quarterly and current reports, and that we maintain effective disclosure controls and procedures and internal controls over financial reporting. We expect that the obligations of being a public company, including substantial public reporting obligations, will require significant expenditures and place additional demands on our management team. These obligations will increase our operating expenses and could divert management s attention from our banking operations.

Compliance with the Sarbanes-Oxley Act of 2002 and the related rules and regulations of the Securities and Exchange Commission will require us to certify the adequacy of our internal controls and procedures, which could require us to upgrade our systems, and/or hire additional staff, which will increase our operating costs.

We have never issued common stock and there is no guarantee that a liquid market will develop.

We have never issued capital stock and there is no established market for our common stock. We expect that our common stock will be listed for trading on the Nasdaq Capital Market under the symbol STND, subject to completion of the offering and compliance with certain conditions, including the presence of at least three registered and active market makers. Stifel, Nicolaus & Company has advised us that it intends to make a market in shares of our common stock following the offering, but it is under no obligation to do so or to continue to do so once it begins. While we will attempt before completion of the offering to obtain commitments from at least two other broker-dealers to make a market in shares of our common stock, we may not be able to obtain such commitments. This would result in our common stock not being listed for trading on the Nasdaq Capital Market, which could reduce the liquidity of our common stock.

We may take other actions to meet the minimum required sales of shares if we cannot find enough purchasers in the subscription and community offerings. Such actions may reduce the net proceeds from the stock offering.

If we do not sell enough shares to reach the minimum of the offering range through the subscription and community offerings, shares may be offered for sale to the general public in a syndicated community offering to be managed by Stifel, Nicolaus & Company, acting as our agent. The fee to be paid in connection with such an offering would be higher than the fee paid in the subscription and community offerings, which would increase the expenses associated with the stock offering and reduce the net proceeds. Specifically, Stifel, Nicolaus & Company will receive a fee of 1.0% of the aggregate dollar amount of the common stock sold in the subscription and community offerings, less shares acquired by our directors and executive officers, and our ESOP as well as the shares of common stock issued to the charitable foundation. If there is a syndicated community offering, Stifel, Nicolaus & Company will receive a fee not to exceed 6.0% of the aggregate dollar amount of the common stock sold in the syndicated community offering, less the amount of common stock already sold in the subscription and community offerings.

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SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The summary financial information presented below is derived in part from the consolidated financial statements of Standard Mutual Holding Company and subsidiaries. The following is only a summary and you should read it in conjunction with the consolidated financial statements and notes beginning on page F-1. The information at September 30, 2009 and 2008 and for the years ended September 30, 2009 and 2008 is derived in part from the audited consolidated financial statements of Standard Mutual Holding Company that appear in this prospectus. The operating data for the six months ended March 31, 2010 and 2009 and the financial condition data at March 31, 2010 were not audited. However, in the opinion of management of Standard Mutual Holding Company, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the results of operations for the unaudited periods have been made. No adjustments were made other than normal recurring entries. The results of operations for the six months ended March 31, 2010 are not necessarily indicative of the results of operations that may be expected for the entire year.

	At March 31,			At September 30,		
	2010	2009	2008	2007	2006	2005
	(unaudited)			(In thousands)		
Selected Financial Condition Data:						
Total assets	$ 403,209	$ 382,415	$ 353,971	$ 342,938	$ 328,989	$ 269,016
Cash and cash equivalents	25,130	12,420	18,817	18,143	21,485	14,695
Securities available for sale	70,023	69,244	28,949	26,241	40,361	77,363
Securities held to maturity (1)			19,518	27,710	34,289	42,157
Loans receivable, net	277,148	270,769	257,551	243,742	205,653	119,288
Bank owned life insurance	9,244	9,080	8,756	8,424	8,106	7,805
Federal Home Loan Bank stock, at cost	3,416	3,416	3,335	2,488	1,939	2,271
Deposits	311,196	286,934	254,632	263,977	262,999	199,267
Federal Home Loan Bank advances	42,078	46,618	50,948	32,809	20,727	31,274
Securities sold under agreements to repurchase	2,905	3,866	3,537	3,990	4,655	232
Total net worth	43,561	42,168	38,695	39,444	37,844	36,374

(1) During 2009, all securities previously categorized as held to maturity were transferred to available for sale.

	Six Months Ended March 31,		Years Ended September 30,				
	2010	2009	2009	2008	2007	2006	2005
	(unaudited)		(In thousands)				
Selected Operating Data:							
Interest and dividend income	$ 9,160	$ 9,197	$ 18,236	$ 18,679	$ 18,191	$ 15,527	$ 11,652
Interest expense	3,373	4,225	8,091	9,237	10,075	8,394	6,252
Net interest income	5,787	4,972	10,145	9,442	8,116	7,133	5,400
Provision for loan losses (1)	429	547	1,100	316			
Net interest and dividend income after provision for loan losses	5,358	4,425	9,045	9,126	8,116	7,133	5,400
Noninterest income	1,151	1,075	1,798	959	2,587	2,231	1,286
Noninterest expense	4,169	4,471	8,698	8,169	8,036	7,670	5,930
Income before income tax expense (benefit)	2,340	1,029	2,145	1,916	2,667	1,694	756
Income tax expense (benefit) (2)	801	(254)	1	776	607	264	(101)
Net income	$ 1,539	$ 1,283	$ 2,144	$ 1,140	$ 2,060	$ 1,430	$ 857

(1) See Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies- Allowance for Loan Losses and Management s Discussion and Analysis of Financial Condition and Results of Operations Allowance for Loan Losses for a

discussion of our procedures for determining the provision for loan losses. A provision for loan losses was not recorded during the three year period ended September 30, 2007 because the results of a comprehensive analysis of the allowance for loan losses indicated that the allowance was at an appropriate level for each period indicated. See Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies Allowance for Loan Losses and Management s Discussion and Analysis of Financial Condition and Results of Operations Allowance for Loan Losses for a discussion of our procedures for determining the provision for loan losses

(2) The income tax expense and

(benefit) recorded for the year ended September 30, 2009 and the six months ended March 31, 2009, respectively was impacted by the reversal of a $510,000 valuation allowance related to impairment losses on Fannie Mae and Freddie Mac preferred stocks. See Management s Discussion and Analysis of Financial Condition and Results of Operations Comparison of Operating Results for the Six Months Ended March 31, 2010 and 2009 - Income Taxes and Management s Discussion and Analysis of Financial Condition and Results of Operations Comparison Operating Results for the Fiscal Years Ended September 30, 2009 and 2008 Income Tax Expense.

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	At or For the Six Months Ended March 31,		At or For the Years Ended September 30,				
	2010	2009	2009	2008	2007	2006	2005
Selected Financial Ratios and Other Data (1):							
Performance Ratios:							
Return on average assets (ratio of net income to average total assets)	0.79%	0.72%	0.58%	0.33%	0.62%	0.46%	0.33%
Return on average equity (ratio of net income to average equity)	7.14%	6.43%	5.27%	2.86%	5.33%	3.89%	2.34%
Interest rate spread (2)	3.11%	2.92%	2.88%	2.83%	2.50%	2.40%	1.98%
Net interest margin (3)	3.20%	3.03%	2.99%	2.98%	2.66%	2.54%	2.22%
Efficiency ratio (4)	60.09%	73.94%	72.83%	78.54%	75.08%	81.91%	88.69%
Noninterest expense to average total assets	2.13%	2.50%	2.36%	2.37%	2.43%	2.47%	2.28%
Average interest-earning assets to average interest-bearing liabilities	104.70%	104.38%	104.45%	104.94%	104.94%	104.75%	109.65%
Equity to assets	10.80%	10.77%	11.03%	10.93%	11.50%	11.50%	13.52%
Tangible equity to tangible assets	8.60%	8.38%	8.69%	8.35%	8.81%	8.62%	13.47%
Average equity to average assets	11.02%	11.18%	11.03%	11.59%	11.68%	11.86%	14.07%
Asset Quality Ratios:							
Non-performing assets to total assets	0.41%	0.50%	0.61%	0.51%	0.26%	0.21%	0.13%
Non-performing loans to total loans	0.20%	0.66%	0.49%	0.63%	0.33%	0.33%	0.30%
Allowance for loan losses to non-performing loans	627.45%	152.31%	233.01%	150.12%	294.43%	355.80%	435.26%
Allowance for loan losses to total loans	1.23%	0.99%	1.12%	0.93%	0.97%	1.16%	1.31%
Net charge-offs to average loans	0.04%	0.29%	0.17%	0.10%	0.02%	0.08%	0.01%
Capital Ratios (bank level only):							

Total capital (to risk-weighted assets)	14.48%	14.29%	14.09%	14.33%	14.32%	14.90%	26.57%
Tier I capital (to risk-weighted assets)	13.23%	13.14%	12.83%	13.22%	12.80%	13.14%	24.64%
Tier I capital (to average assets)	8.44%	8.48%	8.32%	8.45%	8.27%	7.95%	12.51%
Other Data:							
Number of offices	10	10	10	10	10	11	7
Full time equivalent employees	89	86	89	89	93	91	67

(1) Ratios for the six months ended March 31, 2010 and 2009 are annualized.

(2) The interest rate spread represents the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities for the year.

(3) The net interest margin represents net interest income as a percent of average interest-earning assets for the year.

(4) The efficiency ratio represents noninterest expense divided by the sum of net interest income and noninterest income.

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RECENT DEVELOPMENTS

The following tables set forth selected consolidated historical financial and other data of Standard Mutual Holding Company and subsidiaries for the periods and at the dates indicated. The following is only a summary and you should read it in conjunction with the consolidated financial statements and notes beginning on page F-1. The information at September 30, 2009 is derived in part from the audited consolidated financial statements of Standard Mutual Holding Company that appear in this prospectus. The operating data for the three and nine months ended June 30, 2010 and 2009 and the financial condition data at June 30, 2010 were not audited. However, in the opinion of management of Standard Mutual Holding Company, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the results of operations for the unaudited periods have been made. No adjustments were made other than normal recurring entries. The results of operations for the three and nine months ended June 30, 2010 are not necessarily indicative of the results of operations that may be expected for the entire year.

	At June 30, 2010 (unaudited)	At September 30, 2009 (In thousands)
Selected Financial Condition Data:		
Total assets	$ 395,794	$ 382,415
Cash and cash equivalents	19,649	12,420
Securities available for sale	65,340	69,244
Loans receivable, net	279,265	270,769
Bank owned life insurance	9,327	9,080
Federal Home Loan Bank stock, at cost	3,416	3,416
Deposits	312,339	286,934
Federal Home Loan Bank advances	32,063	46,618
Securities sold under agreements to repurchase	3,551	3,866
Total net worth	44,454	42,168

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2010	2009	2010	2009
		(unaudited)	(In thousands)	
Selected Operating Data:				
Interest and dividend income	$ 4,508	$ 4,525	$ 13,668	$ 13,723
Interest expense	1,470	2,008	4,844	6,233
Net interest income	3,038	2,517	8,824	7,490
Provision for loan losses	350	149	779	696
Net interest and dividend income after provision for loan losses	2,688	2,368	8,045	6,794
Noninterest income	617	618	1,768	1,693
Noninterest expense	2,221	2,177	6,389	6,649
Income before income tax expense (benefit)	1,084	809	3,424	1,838
Income tax expense (benefit)	347	250	1,148	(4)

Net income	$ 737	$ 559	$ 2,276	$ 1,842

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	At or For the Three Months Ended June 30,		At or For the Nine Months Ended June 30,	
	2010	2009	2010	2009
Selected Financial Ratios and Other Data (1):				
Performance Ratios:				
Return on average assets (ratio of net income to average total assets)	0.74%	0.59%	0.77%	0.67%
Return on average equity (ratio of net income to average equity)	6.68%	5.45%	6.98%	6.10%
Interest rate spread (2)	3.27%	2.76%	3.17%	2.86%
Net interest margin (3)	3.35%	2.86%	3.25%	2.97%
Efficiency ratio (4)	60.77%	69.44%	60.32%	72.41%
Noninterest expense to average total assets	2.24%	2.29%	2.17%	2.43%
Average interest-earning assets to average interest-bearing liabilities	104.44%	104.41%	104.61%	104.39%
Equity to assets	11.23%	10.68%	11.23%	10.68%
Tangible equity to tangible assets	9.01%	8.33%	9.01%	8.33%
Average equity to average assets	11.15%	10.78%	11.07%	11.04%
Asset Quality Ratios:				
Non-performing assets to total assets	0.62%	0.52%	0.62%	0.52%
Non-performing loans to total loans	0.48%	0.36%	0.48%	0.36%
Allowance for loan losses to non-performing loans	278.12%	286.50%	278.12%	286.50%
Allowance for loan losses to total loans	1.33%	1.02%	1.33%	1.02%
Net charge-offs to average loans	0.05%	0.12%	0.04%	0.23%
Capital Ratios (bank level only):				
Total capital (to risk-weighted assets)	14.85%	14.27%		
Tier I capital (to risk-weighted assets)	13.59%	13.12%		
Tier I capital (to average assets)	8.59%	8.25%		
Other Data:				
Number of offices	10	10		
Full time equivalent employees	90	86		

(1) Ratios for the three and nine months ended June 30, 2010 and 2009 are annualized.

(2) The interest rate spread

represents the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities for the year.

(3) The net interest margin represents net interest income as a percent of average interest-earning assets for the year.

(4) The efficiency ratio represents noninterest expense divided by the sum of net interest income and noninterest income.

Balance Sheet Analysis: June 30, 2010 and September 30, 2009

Assets. Our total assets increased $13.4 million, or 3.5%, to $395.8 million at June 30, 2010 from $382.4 million at September 30, 2009. The increase was due to increases in net loans of $8.5 million, or 3.1%, and cash and cash equivalents of $7.2 million, or 58.2%. The net increase in total assets was funded by an increase in deposits of $25.4 million, partially offset by a decrease in Federal Home Loan Bank advances of $14.6 million.

Loans. At June 30, 2010, net loans were $279.3 million, or 70.6% of total assets, an increase of $8.5 million from $270.8 million, or 70.8%, of total assets at September 30, 2009. This increase was primarily due to an increase of $5.3 million in the commercial real estate loan portfolio with the remainder of the increase in residential mortgages and home equity loans.

Investment Securities. At June 30, 2010 and September 30, 2009 all of our investment securities were categorized as available for sale and recorded at current fair value. We held investment securities with an amortized cost of $63.8 million and a fair value of $65.3 million at June 30, 2010, compared to $67.7 million and $69.2 million at September 30, 2009, respectively. At June 30, 2010, our investment portfolio consisted of $24.5 million in U.S. government and agency obligations, $19.0 million of mortgage-backed securities (of which $18.4 million were U.S. government sponsored mortgage-backed securities), $18.0 million of municipal bonds, $2.7 million in corporate bonds and $1.1 million in equity securities.

At June 30, 2010 and September 30, 2009, we held 13 securities and 15 securities in unrealized loss positions of $165,000 and $246,000, respectively. The decline in the fair value of these securities resulted primarily from interest rate fluctuations. We do not intend to sell these securities nor is it more likely than not that we would be required to sell these securities before their anticipated recovery and we believe the collection of the investment and related interest is probable. Based on this analysis, we consider all of the unrealized losses to be temporary impairment losses.

Deposits. Our deposits increased $25.4 million, or 8.9%, to $312.3 million at June 30, 2010 from $286.9 million at September 30, 2009. The increase resulted from a $16.0 million, or 14.8%, increase in certificates of deposit and a $9.4 million, or 5.3%, increase in demand, NOW accounts and savings accounts. The increase in certificates of deposit resulted from offering longer term certificate products (four and five year terms) with various features that in some cases provide options to earn higher rates in the future. The intent of offering the longer term certificate of deposit products is to draw funds from a liquid savings account to extend the maturities of our deposit base in anticipation of future market interest rate increases. The increase in demand, NOW and savings accounts was due primarily to cash flows from checking accounts and a continued customer preference for liquid money market and savings account products.

At June 30, 2010, we had a total of $124.2 million in certificates of deposit, of which $37.0 million had remaining maturities of one year or less. Based on historical experience and current market interest rates, we believe we will retain upon maturity a large portion of our certificates of deposit with maturities of one year or less as of June 30, 2010.

Borrowings. At June 30, 2010, our borrowings consisted of $32.1 million of advances from the Federal Home Loan Bank of Pittsburgh and $3.6 million of funds borrowed under repurchase agreements. Advances from the Federal Home Loan Bank of Pittsburgh declined $14.6 million, or 31.2%, from September 30, 2009 to June 30, 2010 due to the repayment of $19.6 million of maturing advances partly offset by new advances totaling $5.0 million.

Net Worth. Net worth increased $2.3 million, or 5.4%, to $44.5 million at June 30, 2010 from $42.2 million at September 30, 2009. The increase resulted from net income of $2.3 million for the nine months ended June 30, 2010.

Comparison of Operating Results for the Nine Months Ended June 30, 2010 and 2009

General. Net income for the nine months ended June 30, 2010 was $2.3 million, an increase of $434,000, or 23.6%, from $1.8 million for the same period last year. The increase in net income resulted primarily from a decrease of $1.4 million in total interest expense and a decrease of $260,000 in total noninterest expenses, offset in part by increased federal and state income taxes of $1.2 million. Total interest income remained steady at $13.7 million for each nine month period. The provision for loan losses increased from $696,000 for the nine month period ended June 30, 2009 to $779,000 for the nine month period ended June 30, 2010.

Interest and Dividend Income. Total interest income remained unchanged at $13.7 million for each nine month period, due to a decrease in the average yield earned on interest earning assets, which was offset by an increase in the average balance of interest earning assets. The average yield on interest earning assets decreased to 5.03% for the nine month period ended June 30, 2010 from 5.44% for the nine month period ended June 30, 2009. The average yield on all categories of interest earning assets decreased from the previous period. Average interest earning assets increased by $26.1 million, or 7.8%, to $362.3 million for the nine month period ended June 30, 2010 from $336.2 million for the nine month period ended June 30, 2009.

Interest income on loans increased $67,000 for the nine month period ended June 30, 2010 compared to the nine month period ended June 30, 2009. The average yield on loans receivable decreased to 5.72% for the nine month period ended June 30, 2010 from 6.08% for the nine month period ended June 30, 2009. The decrease in average yield was primarily attributable to our variable rate loans adjusting downward as prime and short-term interest rates decreased as well as the origination of new loans in a generally lower interest rate environment and repayment/refinance of higher rate loans. This decrease in average yield was partially offset by an increase in the average balance of loans receivable. Average loans receivable increased by $18.1 million, or 6.9%, to $279.4 million for the nine month period ended June 30, 2010 from $261.3 million for the nine month period ended June 30, 2009. This increase was primarily attributable to continued loan demand throughout our market area.

Interest income on investment and mortgage-backed securities decreased by $100,000, or 5.6%, to $1.7 million for the nine month period ended June 30, 2010 from $1.8 million for the nine month period ended June 30, 2009. This decrease was primarily the result of a decrease in the average yield earned, which decreased to 3.25% for the nine month period ended June 30, 2010 from 4.09% for the nine month period ended June 30, 2009, due to new investments added in a lower interest rate environment and variable rate investments that adjusted downward. Partially offsetting this decrease in interest income was an increase in the average balance, which increased by $10.8 million, or 18.9%, to $67.9 million for the nine month period ended June 30, 2010 from $57.1 million for the nine month period ended June 30, 2009.

Interest income on interest-earning deposits decreased by $22,000 to $28,000 for the nine month period ended June 30, 2010 from $50,000 for the nine month period ended June 30, 2009. The average yield decreased to 0.25% from 0.38% as a result of decreases in the overnight federal funds rate. The average balance decreased by $2.8 million, or 15.8%, to $14.9 million for the nine month period ended June 30, 2010 from $17.7 million for the nine month period ended June 30, 2009 as we invested in loans and investment securities.

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Interest Expense. Total interest expense decreased by $1.4 million, or 22.3%, to $4.8 million for the nine month period ended June 30, 2010 from $6.2 million for the nine month period ended June 30, 2009. This decrease in interest expense was due to a decrease in the average cost of interest-bearing liabilities to 1.87% from 2.58%, which was partially offset by an increase in the average balance of interest-bearing liabilities. Average interest-bearing liabilities increased by $24.2 million, or 7.5%, to $346.3 million for the nine month period ended June 30, 2010 from $322.1 million for the nine month period ended June 30, 2009. The decrease in the cost of funds resulted primarily from a decrease in the level of market interest rates which enabled us to reduce the rate of interest paid on all deposit products. The increase in liabilities resulted primarily from deposit growth in all of our markets.

Net Interest Income. Net interest income increased by $1.3 million, or 17.8%, to $8.8 million for the nine month period ended June 30, 2010 from $7.5 million for the nine month period ended June 30, 2009. This increase in net interest income was attributable to the factors discussed above. Our net interest rate spread increased to 3.17% for the nine month period ended June 30, 2010 from 2.86% for the nine month period ended June 30, 2009, and our net interest margin increased to 3.25% for the nine month period ended June 30, 2010 from 2.97% for the nine month period ended June 30, 2009.

Provision for Loan Losses. The provision for loan losses increased by $83,000, or 11.9%, to $779,000 for the nine month period ended June 30, 2010 from $696,000 for the nine month period ended June 30, 2009. The increase in the provision for loan losses during the comparative period was due to the continued worsening economic conditions which caused a decrease in cash flows for some commercial borrowers in industries such as residential home construction, restaurant, retail and entertainment. These borrowers were not delinquent at June 30, 2010; however, the cash flow trends noted indicated that special consideration in determining the loan loss provision was prudent. Management analyzes the allowance for loan losses as described in the section entitled Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies Allowance for Loan Losses. The provision that is recorded is sufficient, in management s judgment, to bring the allowance for loan losses to a level that reflects the losses inherent in our loan portfolio relative to loan mix, economic conditions and historical loss experience. Management believes, to the best of their knowledge, that all known losses as of the balance sheet dates have been recorded.

Noninterest Income. Noninterest income increased $75,000, or 4.4%, to $1.8 million for the nine month period ended June 30, 2010 from $1.7 million for the same period in the prior year. Net securities gains increased by $139,000, due to gains of $8,000 for the nine month period ended June 30, 2010 compared to losses of $131,000 for the nine month period ended June 30, 2009. Partially offsetting this increase, mutual fund and annuity fees decreased by $30,000, or 14.7%, to $178,000 for the nine month period ended June 30, 2010 from $208,000 for the nine month period ended June 30, 2009, due in part to customer preferences to invest in insured investments in light of the financial crisis.

Noninterest Expense. Noninterest expense decreased by $260,000, or 3.9%, to $6.4 million for the nine month period ended June 30, 2010 from $6.6 million for the same period in the prior year. The largest decreases were in compensation and employee benefits, FDIC insurance premiums and premises and occupancy costs. Compensation and employee benefits decreased by $154,000, or 3.9%, to $3.8 million for the nine month period ended June 30, 2010 from $3.9 million for the nine month period ended June 30, 2009 due primarily to a higher pension plan accrual in the 2009 period. The higher pension plan accrual was necessary due to the use of lower interest rate assumptions in determining the related pension plan liability. FDIC insurance premiums decreased by $62,000, or 16.0%, to $326,000 for the nine month period ended June 30, 2010 from $388,000 for the nine month period ended June 30, 2009 as a result of FDIC special assessment levied on all banks as of June 30, 2009. Our FDIC special assessment was $177,000. Premises and occupancy costs decreased $34,000 due to cost control initiatives implemented in late 2009 and early 2010. Other operating expenses decreased $24,000 to $981,000 during the nine

month period ended June 30, 2010 from $1.0 million for the nine month period ended June 30, 2009 due to above mentioned cost reduction initiatives.

Income Taxes. The provision for income taxes for the nine month period ended June 30, 2010 increased by $1.1 million, compared to the same period last year. This increase in income tax was primarily a result of an increase in income before income taxes of $1.6 million, or 86.3%, from $1.8 million for the nine months ended June 30, 2009 to $3.4 million for the nine months ended June 30, 2010. Our effective tax rate for the nine month period ended June 30, 2010 was 33.5% compared to a benefit of .2% experienced in the nine month period ended June 30, 2009. The reason for the negative tax rate for the nine months ended June 30, 2009 was due to the reversal of a $510,000 deferred tax asset valuation allowance on October 3, 2008 related to impairment losses recognized on Fannie Mae and Freddie Mac preferred stock. A $1.5 million impairment loss on the stocks was recognized in the year ended September 30, 2008 while the tax benefit was recognized in the following fiscal year at the time the Emergency Economic Stabilization Act of 2009 was enacted which allowed banks to recognize these losses as ordinary losses for tax purposes.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements, which can be identified by the use of words such as estimate, project, believe, intend, anticipate, plan, seek, expect, will, may and words of similar meaning. Thes statements include, but are not limited to:

- statements of our goals, intentions and expectations;
- statements regarding our business plans, prospects, growth and operating strategies;
- statements regarding the asset quality of our loan and investment portfolios; and
- estimates of our risks and future costs and benefits.

These forward-looking statements are based on our current beliefs and expectations and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. We are under no duty to and do not take any obligation to update any forward-looking statements after the date of this prospectus.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements:

- general economic conditions, either nationally or in our market areas, that are worse than expected;
- competition among depository and other financial institutions;
- inflation and changes in the interest rate environment that reduce our margins or reduce the fair value of financial instruments;
- adverse changes in the securities markets;

- changes in laws or government regulations or policies affecting financial institutions, including changes in regulatory fees and capital requirements;
- our ability to enter new markets successfully and capitalize on growth opportunities;
- our ability to successfully integrate acquired entities, if any;
- changes in consumer spending, borrowing and savings habits;
- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board, the Securities and Exchange Commission and the Public Company Accounting Oversight Board;
- changes in our organization, compensation and benefit plans;
- changes in our financial condition or results of operations that reduce capital available to pay dividends; and
- changes in the financial condition or future prospects of issuers of securities that we own.

Because of these and a wide variety of other uncertainties, our actual future results may be materially different from the results indicated by these forward-looking statements. Please see Risk Factors beginning on page 17.

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HOW WE INTEND TO USE THE PROCEEDS FROM THE OFFERING

Although we cannot determine what the actual net proceeds from the sale of the shares of common stock in the offering will be until the offering is completed, we anticipate that the net proceeds will be between $24.1 million and $33.1 million, or $38.2 million if the offering range is increased by 15%.

We intend to distribute the net proceeds from the stock offering as follows:

	Based Upon the Sale at $10.00 Per Share of							
	Minimum 2,550,000 Shares		Midpoint 3,000,000 Shares		Maximum 3,450,000 Shares		Maximum Adjusted 3,967,500 Shares (1)	
	Amount	Percent of Net Proceeds	Amount	Percent of Net Proceeds	Amount	Percent of Net Proceeds	Amount	Percent of Net Proceeds
	(Dollars in thousands)							
Stock offering proceeds	$ 25,500		$ 30,000		$ 34,500		$ 39,675	
Less offering expenses	1,356		1,398		1,439		1,486	
Net offering proceeds (2)	$ 24,144	100.0%	$ 28,602	100.0%	$ 33,061	100.0%	$ 38,189	100.0%
Use of net proceeds:								
To Standard Bank	$ 12,072	50.0%	$ 14,301	50.0%	$ 16,531	50.0%	$ 19,095	50.0%
Cash contributed to foundation	$ 200	0.8%	$ 200	0.7%	$ 200	0.6%	$ 200	0.5%
To fund loan to employee stock ownership plan	$ 2,111	8.7%	$ 2,484	8.6%	$ 2,857	8.6%	$ 3,285	8.6%
Retained by Standard	$ 9,761	40.5%	$ 11,617	40.7%	$ 13,474	40.8%	$ 15,610	40.9%

(1) As adjusted to give effect to an increase in the number of shares, which could occur due to a 15% increase in the offering range to reflect demand for the shares or changes in market

conditions following the commencement of the offering.

(2) Assumes all shares of common stock are sold in the subscription offering.

Payments for shares of common stock made through withdrawals from existing deposit accounts will not result in the receipt of new funds for investment but will result in a reduction of Standard Bank s deposits. The net proceeds may vary because the total expenses relating to the offering may be more or less than our estimates. For example, our expenses would increase if a syndicated community offering were used to sell shares of common stock not purchased in the subscription and community offerings.

Standard Financial Corp. may use the proceeds it retains from the offering:

- to invest in securities issued by the U.S. Government, U.S. Government agencies and/or U.S. Government sponsored enterprises, mortgage-backed securities and equities, collateralized mortgage obligations and municipal securities;
- to finance the acquisition of financial institutions or other financial service companies;
- to pay cash dividends to stockholders;
- to repurchase shares of our common stock; and
- for other general corporate purposes.

With the exception of the funding of the loan to the employee stock ownership plan, Standard Financial Corp. has not quantified its plans for use of the offering proceeds for each of the foregoing purposes. Initially, we intend to invest a substantial portion of the net proceeds in short-term investments, investment-grade debt obligations and mortgage-backed securities.

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Standard Financial Corp. also intends to contribute $200,000 in cash and a number of shares of common stock with a value equal to 3.5% of the shares sold in the offering. Initially, a substantial portion of the net proceeds will be invested in short-term investments, investment-grade debt obligations and mortgage-backed securities.

Under current regulations as applied by the Pennsylvania Department of Banking and the Federal Reserve Board regulations, we may not repurchase shares of our common stock during the first year following the conversion, except to fund equity benefit plans other than stock options or except when extraordinary circumstances exist and with prior regulatory approval.

Standard Bank may use the net proceeds it receives from the offering:

- to expand its banking franchise by establishing or acquiring new branches, or by acquiring other financial institutions or other financial services companies;
- to fund new loans;
- to repay borrowings;
- to invest in mortgage-backed securities and collateralized mortgage obligations, and debt securities issued by the U.S. Government, U.S. Government agencies and/or U.S. Government sponsored enterprises; and
- for other general corporate purposes.

Standard Bank has not quantified its plans for use of the offering proceeds for each of the foregoing purposes. Our short-term and long-term growth plans anticipate that, upon completion of the offering, we will experience growth through increased lending and investment activities and, possibly, acquisitions. We currently have no understandings or agreements to acquire other banks, thrifts, or other financial services companies. There can be no assurance that we will be able to consummate any acquisition.

Initially, the net proceeds we retain will be invested in short-term investments, investment-grade debt obligations and mortgage-backed securities.

OUR POLICY REGARDING DIVIDENDS

Following completion of the stock offering, our Board of Directors will have the authority to declare dividends on our shares of common stock, subject to statutory and regulatory requirements. However, no decision has been made with respect to the payment of dividends. In determining whether to pay a cash dividend and the amount of such cash dividend, the Board of Directors is expected to take into account a number of factors, including capital requirements, our consolidated financial condition and results of operations, tax considerations, statutory and regulatory limitations and general economic conditions. No assurances can be given that any dividends will be paid or that, if paid, will not be reduced or eliminated in the future. Special cash dividends, stock dividends or returns of capital, to the extent permitted by Pennsylvania Department of Banking policy and regulations, may be paid in addition to, or in lieu of, regular cash dividends. We will file a consolidated tax return with Standard Bank. Accordingly, it is anticipated that any cash distributions made by us to our stockholders would be treated as cash dividends and not as a non-taxable return of capital for federal and state tax purposes. Additionally, pursuant to Pennsylvania Department of Banking regulations, during the three-year period following the stock offering, we will not take any action to declare an extraordinary dividend to stockholders that would be treated by recipients as a tax-free return of capital for federal income tax purposes.

Pursuant to our Certificate of Incorporation, we are authorized to issue preferred stock. If we issue preferred stock, the holders thereof may have a priority over the holders of our shares of common stock with respect to the payment of dividends. For a further discussion concerning the payment of dividends on our shares of common stock, see Description of Capital Stock Common Stock. Initially, dividends we can declare and pay will depend upon the proceeds retained from the stock offering and the earnings received from the investment of those proceeds. In the future, dividends will depend in large part upon receipt of dividends from Standard Bank, because we expect to have limited sources of income other than dividends from Standard Bank and interest payments received in connection with the loan to the employee stock ownership plan. A regulation of the Pennsylvania Department of Banking imposes limitations on capital distributions by savings institutions. See Supervision and Regulation Banking Regulation Capital Distributions.

Any payment of dividends by Standard Bank to us that would be deemed to be drawn out of Standard Bank s bad debt reserves, if any, would require a payment of taxes at the then-current tax rate by Standard Bank on the amount of earnings deemed to be removed from the reserves for such distribution. Standard Bank does not intend to make any distribution to us that would create such a federal tax liability. See Taxation Federal Taxation and State Taxation.

MARKET FOR THE COMMON STOCK

We have never issued capital stock and there is no established market for our shares of common stock. We expect that our shares of common stock will be listed for trading on the Nasdaq Capital Market under the symbol STND, subject to completion of the offering and compliance with certain conditions, including the presence of at least three registered and active market makers. Stifel, Nicolaus & Company has advised us that it intends to make a market in shares of our common stock following the offering, but it is under no obligation to do so or to continue to do so once it begins. While we will attempt before completion of the offering to obtain commitments from at least two other broker-dealers to make a market in shares of our common stock, there can be no assurance that we will be successful in obtaining such commitments.

The development and maintenance of a public market, having the desirable characteristics of depth, liquidity and orderliness, depends on the existence of willing buyers and sellers, the presence of

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which is not within our control or that of any market maker. The number of active buyers and sellers of shares of our common stock at any particular time may be limited, which may have an adverse effect on the price at which shares of our common stock can be sold. There can be no assurance that persons purchasing the shares of common stock will be able to sell their shares at or above the $10.00 offering purchase price per share. You should have a long-term investment intent if you purchase shares of our common stock and you should recognize that there may be a limited trading market in the shares of common stock.

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HISTORICAL AND PRO FORMA REGULATORY CAPITAL COMPLIANCE

At March 31, 2010, Standard Bank exceeded all of the applicable regulatory capital requirements. The table below sets forth the historical equity capital and regulatory capital of Standard Bank at March 31, 2010, and the pro forma regulatory capital of Standard Bank, after giving effect to the sale of shares of common stock at a $10.00 per share purchase price. The table assumes the receipt by Standard Bank of 50% of the net offering proceeds. See How We Intend to Use the Proceeds from the Offering.

	Standard Bank Historical at March 31, 2010	Pro Forma at March 31, 2010, Based (1)			
		Minimum 2,550,000 Shares		Midpoint 3,000,000 Shares	
	Percent of Assets (3)	Amount	Percent of Assets (3)	Amount	Percent of Assets (3)
	(Dollars in thousands)				
	10.67%	$ 51,918	12.51%	$ 53,588	12.84%
	8.44%	$ 41,270	10.43%	$ 42,940	10.79%
	5.00	19,778	5.00	19,890	5.00
	3.44%	$ 21,492	5.43%	$ 23,050	5.79%
	13.23%	$ 41,270	16.70%	$ 42,940	17.35%
	6.00	14,826	6.00	14,853	6.00
	7.23%	$ 26,444	10.70%	$ 28,087	11.35%
	14.48%	$ 44,336	17.94%	$ 46,006	18.58%
	10.00	24,711	10.00	24,755	10.00
	4.48%	$ 19,625	7.94%	$ 21,251	8.58%

e currency. Should forward prices decline during the period between the Fund's
forward contract for the sale of a currency and the date it enters into an offsetting
purchase of the currency, the Fund will realize a gain to the extent the price of the
agreed to sell exceeds the price of the currency it has agreed to purchase. Should
increase, the Fund will suffer a loss to the extent the price of the currency it has
nase exceeds the price of the currency it has agreed to sell. A default on the contract
the Fund of unrealized profits or force the Fund to cover its commitments for
e of currency, if any, at the current market price. Hedging against a decline in the
ency does not eliminate fluctuations in the prices of portfolio securities or prevent
ces of such securities decline. Such transactions also preclude the opportunity for
e of the hedged currency should rise. Moreover, it may not be possible for the Fund
st a devaluation that is so generally anticipated that the Fund is not able to contract to
y at a price above the devaluation level it anticipates. The cost to the Fund of
rrency exchange transactions varies with such factors as the currency involved, the
ontract period, and prevailing market conditions. Since currency exchange
e usually conducted on a principal basis, no fees or commissions are involved. The
rate and commodity swaps and caps is a highly specialized activity that involves
hniques and risks different from those associated with ordinary portfolio security
epending on market conditions in general, the Fund's use of swaps or caps could
m the overall performance of the common shares. For example, the Fund may utilize
aps and caps in connection with the Fund's use of Financial Leverage. To the extent
ne in interest rates, the value of the interest rate swap or cap could decline, and could
ne in the net asset value of the common shares. In addition, if short-term interest
than the Fund's fixed rate of payment on the interest rate swap, the swap will reduce
net earnings. If, on the other hand, short-term interest rates are higher than the fixed
t on the interest rate swap, the swap will enhance common share net earnings. Buying
os could enhance the performance of the common shares by providing a maximum
se. Buying interest rate caps could also decrease the net earnings of the common
vent that the premium paid by the Fund to the counterparty exceeds the additional
nd would have been required to pay had it not entered into the cap agreement. The
rrent intention of selling an interest rate swap but is expected to enter into an interest
st rate and commodity swaps and caps do not involve the delivery of securities or
g assets or principal. Accordingly, the risk of loss with respect to interest rate and
aps is limited to the net amount of interest payments that the Fund is contractually
ake. If the counterparty defaults, the Fund would not be able to use the anticipated net
the swap or cap to offset any declines in the value of the Fund's portfolio assets being
ncrease in the Fund's cost of Financial Leverage. Depending on whether the Fund
ed to receive net payments from the counterparty on the swap or cap, which in turn
on - 46 - the general state of the market rates at that point in time, such a default
y impact the performance of the common shares. PORTFOLIO TURNOVER RISK
ual portfolio turnover rate may vary greatly from year to year. Although the Fund
ely predict its annual portfolio turnover rate, it is not expected to exceed 30% under
stances, but may be higher or lower in certain periods. For the fiscal year ended
2010, portfolio turnover was approximately 20%. Portfolio turnover rate is not
miting factor in the execution of investment decisions for the Fund. High portfolio
esult in the Fund's recognition of gains that will be taxable as ordinary income to the
ortfolio turnover may increase the Fund's current and accumulated earnings and
g in a greater portion of the Fund's distributions being treated as a dividend to the
n shareholders. In addition, a higher portfolio turnover rate results in correspondingly
ge commissions and other transactional expenses that are borne by the Fund. See
vestments--Investment Practices -- Portfolio Turnover" and "Tax Matters."

SECURITIES The Fund invests, and may in the future invest, in unregistered or
icted securities. The term "restricted securities" refers to securities that have not been
r the 1933 Act or are held by control persons of the issuer and securities that are
ractual restrictions on their resale. As a result, restricted securities may be more
e and the Fund may have difficulty disposing of such assets either in a timely
reasonable price. Absent an exemption from registration, the Fund will be required
urities until they are registered by the issuer. In order to dispose of an unregistered
und, where it has contractual rights to do so, may have to cause such security to be
onsiderable period may elapse between the time the decision is made to sell the
e time the security is registered so that the Fund could sell it. Contractual restrictions
f securities vary in length and scope and are generally the result of a negotiation
uer and acquiror of the securities. The Fund would, in either case, bear market risks
iod. LIQUIDITY RISK Although common units of MLPs, I-Shares of MLP-related
mmon stocks of certain energy companies trade on the NYSE, NYSE Amex and The
k Market, certain securities may trade less frequently, particularly those with smaller
Securities with limited trading volumes may display volatile or erratic price
rger purchases or sales of these securities by the Fund in a short period of time may
mal movements in the market price of these securities. This may affect the timing or
ansactions and may limit the Fund's ability to make alternative investments. If the
significant amounts of cash on short notice in excess of normal cash requirements or
ost or return collateral in connection with the Fund's investment portfolio, derivatives
leverage restrictions, the Fund may have difficulty selling these investments in a
be forced to sell them for less than the Fund otherwise would have been able to
. The reported value of some of the Fund's relatively illiquid types of investments
he Fund's high quality, generally liquid asset classes, may not necessarily reflect the
market price for the asset. If the Fund was forced to sell certain of its assets in the
there can be no assurance that the Fund will be able to sell them for the prices at
d has recorded them and the Fund may be forced to sell them at significantly lower
ATION RISK Market prices may not be readily available for subordinated units,
ip of general partner interests, restricted securities or unregistered securities of certain
lated entities or private companies, and the value of such investments will ordinarily
based on fair valuations determined pursuant to procedures adopted by the Board of
value of these securities typically requires more reliance on the judgment of the
an that required for securities for which there is an active trading market. In addition,
ely to some extent on information - 47 - provided by the MLPs, which is usually not
nate taxable income allocable to the MLP units held in the Fund's portfolio and to
ated deferred tax liability for purposes of financial statement reporting and
e Fund's net asset value. From time to time the Fund will modify its estimates and/or
garding its deferred tax liability as new information becomes available. To the extent
fies its estimates and/or assumptions, the net asset value of the Fund would likely
Net Asset Value." INTEREST RATE RISK Interest rate risk is the risk that equity
ties will decline in value because of changes in market interest rates. The Fund's
uch securities means that the net asset value and market price of the common shares
cline if market interest rates rise. Interest rates are at or near historic lows, and as a
likely to rise over time. Certain debt instruments, particularly below investment
s, may contain call or redemption provisions which would allow the issuer thereof to
l prior to the debt instrument's stated maturity. This is known as prepayment risk.
k is greater during a falling interest rate environment as issuers can reduce their cost
financing higher yielding debt instruments with lower yielding debt instruments. An
elect to refinance their debt instruments with lower yielding debt instruments if the
of the issuer improves. To the extent the Fund's debt securities are called or

Fund may be forced to reinvest in lower yielding securities. BELOW INVESTMENT
URITIES RISK Below investment grade securities are rated "Ba1" or lower by
-" or lower by S&P, or comparably rated by another NRSRO or, if unrated,
be of comparable quality by the Sub-Advisor. As of November 30, 2010, the Fund did
y below investment grade securities. Below investment grade securities, also
rred to as "junk bonds," generally pay a premium above the yields of U.S.
curities or debt securities of investment grade issuers because they are subject to
an these securities. These risks, which reflect their speculative character, include the
eater yield and price volatility; o greater credit risk and risk of default; o potentially
ity to general economic or industry conditions; o potential lack of attractive resale
lliquidity); and o additional expenses to seek recovery from issuers who default. In
ices of these below investment grade securities are more sensitive to negative
such as a decline in the issuer's revenues, downturns in profitability in the energy
eneral economic downturn, than are the prices of higher grade securities. Below
de securities tend to be less liquid than investment grade securities and the market for
ent grade securities could contract further under adverse market or economic
uch a scenario, it may be more difficult for the Fund to sell these securities in a
or for as high a price as could be realized if such securities were more widely traded.
ue of below investment grade securities may be more volatile than the market value
grade securities and generally tends to reflect the market's perception of the
ss of the issuer and short-term market developments to a greater extent than
de securities, which primarily reflect fluctuations in general levels of interest rates. In
default by a below investment grade security held in the Fund's portfolio in the
ncipal or interest, the Fund may incur additional expense to the extent it is required to
of such principal or interest. Ratings are relative and subjective and not absolute
ality. Securities ratings are based largely on an issuer's historical financial condition
agencies' analyses at the time of rating. Consequently, the rating assigned to any
rity or instrument is not necessarily a reflection of an issuer's current financial
sequent to its purchase by the Fund, the security or instrument may cease to be rated
y be reduced. In addition, it is possible that NRSROs might not change their ratings
security or instrument to reflect subsequent - 48 - events on a timely basis. Moreover,
not assess the risk of a decline in market value. None of these events will require the
curities or instruments by the Fund, although the Sub-Advisor will consider these
mining whether the Fund should continue to hold the securities. The market for below
de and comparable unrated securities has experienced periods of significantly adverse
dity several times, particularly at or around times of economic recession. Past market
e adversely affected the value of such securities as well as the ability of certain issuers
es to repay principal and pay interest thereon or to refinance such securities. The
e securities may react in a similar fashion in the future. For a further description of
ent grade securities and the risks associated therewith, see "Other Investment Policies
s" in the SAI. For a description of the ratings categories of certain NRSROs, see
the SAI. NON-DIVERSIFICATION The Fund is a non-diversified, closed-end
vestment company under the 1940 Act and will not be treated as a regulated
npany under the Internal Revenue Code. Accordingly, there are no regulatory
nder the 1940 Act or the Internal Revenue Code on the minimum number or size of
by the Fund. As of November 30, 2010, there were approximately seventy-two (72)
MLPs, approximately 80% of which operate energy assets. The Fund intends to
investments from this small pool of issuers. The Fund may invest in securities of
ntities and non-MLP securities issued by energy companies, consistent with its
ective and policies. As of November 30, 2010, the Fund held investments in
MLP issuers. MARKET DISRUPTION RISK The terrorist attacks in the United

mber 11, 2001 had a disruptive effect on the securities markets. U.S. military and
n Iraq is ongoing and events in the Middle East could have significant adverse effects
nomy and the stock market. The Fund cannot predict the effects of similar events in
e U.S. economy. ANTI-TAKEOVER PROVISIONS The Fund's Declaration
ions that could limit the ability of other entities or persons to acquire control of the
t the Fund to open-end status. These provisions could have the effect of depriving the
holders of opportunities to sell their common shares at a premium over the then
price of the common shares. See "Certain Provisions in the Declaration of Trust and
MPETITION RISK There exist other alternatives to the Fund as a vehicle for
portfolio of MLPs, including other publicly traded investment companies and
n addition, recent tax law changes or future tax law changes may increase the ability
vestment companies or other institutions to invest in MLPs. Because of the limited
P issuers, these competitive conditions may adversely impact the Fund's ability to
nts in the MLP market and could adversely impact the Fund's distributions to
holders. POTENTIAL TAX CHANGES In addition to the specific tax risks and
ed elsewhere in this prospectus, the President of the United States has indicated a
significant changes to the Internal Revenue Code. The Fund has no way of knowing
hanges of the Internal Revenue Code might occur or, if enacted, what effect such
have on the Fund's common shareholders or the MLPs and MLP-related entities in
l invests. - 49 - MARKET DISCOUNT FROM NET ASSET VALUE The Fund's
s have been publicly traded since June 24, 2004 and have traded both at a premium
nt relative to net asset value. There is no assurance that any premium of the public
or the Common Shares in any offering made hereby will continue after such offering
mon shares will not again trade at a discount. Shares of closed-end investment
uently trade at a discount from their net asset value. This characteristic is a risk
stinct from the risk that the Fund's net asset value could decrease as a result of its
vities and may be greater for investors expecting to sell their Common Shares in a
period following completion of this offering. Although the value of the Fund's net
lly considered by market participants in determining whether to purchase or sell
r investors will realize gains or losses upon the sale of the common shares will
y upon whether the market price of the common shares at the time of sale is above or
stor's purchase price for the common shares. Because the market price of the common
ffected by factors such as net asset value, dividend or distribution levels (which are
art, on expenses), supply of and demand for the common shares, stability of
stributions, trading volume of the common shares, general market and economic
other factors beyond the control of the Fund, the Fund cannot predict whether the
es will trade at, below or above net asset value or at, below or above the price at
ay be offered in any offering pursuant to this prospectus. INFLATION RISK
the risk that the value of assets or income from investment will be worth less in the
on decreases the value of money. As inflation increases, the real value of the
s and distributions can decline. CERTAIN AFFILIATIONS Certain broker-dealers
ered to be affiliated persons of the Fund, First Trust Advisors or Energy Income
nt an exemption from the SEC or other regulatory relief, the Fund is generally
effecting certain principal transactions with affiliated brokers, and its ability to
d brokers for agency transactions, is subject to restrictions. This could limit the
o engage in securities transactions and take advantage of market opportunities. In
he underwriting syndicate is broken in connection with any public offering of the
es offered by this prospectus, the Fund will be precluded from effecting principal
th brokers who are members of the syndicate. MANAGEMENT OF THE FUND
ND OFFICERS The Board of Trustees is responsible for the general supervision of
ormed by the Advisor and the Sub-Advisor. The names and business addresses of the

ficers of the Fund and their principal occupations and other affiliations during the past
et forth under "Management of the Fund" in the SAI. INVESTMENT ADVISOR
isors, 120 East Liberty Drive, Suite 400, Wheaton, Illinois 60187, is the investment
Fund and is responsible for supervising the Sub-Advisor. First Trust Advisors serves
dvisor or portfolio supervisor to investment portfolios with approximately $46
s which it managed or supervised as of February 28, 2011. First Trust Advisors is also
the ongoing monitoring of the Fund's investment portfolio, managing the Fund's
s and providing certain clerical, bookkeeping and other administrative services. First
is an Illinois limited partnership formed in 1991 and an investment advisor registered
nder the Investment Advisers Act of 1940, as amended. First Trust Advisors is a
ship with one limited - 50 - partner, Grace Partners of DuPage L.P. ("Grace
one general partner, The Charger Corporation. Grace Partners is a limited
h one general partner, The Charger Corporation, and a number of limited partners.
and The Charger Corporation's primary business is investment advisory and
ervices through their interests. The Charger Corporation is an Illinois corporation
ames A. Bowen, Chief Executive Officer of the Advisor. First Trust Advisors is
Grace Partners and The Charger Corporation. For additional information concerning
isors, including a description of the services provided, see the SAI under "Investment
-ADVISOR Energy Income Partners serves as the Fund's Sub-Advisor. In this
y Income Partners is responsible for the selection and on-going monitoring of the
e Fund's investment portfolio. Energy Income Partners, located at 49 Riverside
ort, Connecticut 06880, is a registered investment advisor and serves as investment
stment portfolios with approximately $785 million of assets as of February 28, 2011.
e Partners is a Delaware limited liability company and an SEC-registered investment
ed in October 2003 by James J. Murchie to provide professional asset management
area of energy related MLPs and other high payout securities in the energy sector. In
ing as sub-advisor to the Fund, Energy Income Partners serves as the investment
ee unregistered investment companies and one private registered investment company
rth individuals and institutions. Energy Income Partners mainly focuses on portfolio
operate infrastructure assets such as pipelines, storage and terminals that receive
gulated income from their customers. First Trust Capital Partners, LLC, an affiliate of
rchased, through a wholly-owned subsidiary, a 20% ownership interest in each of the
nd EIP Partners, LLC, a Delaware limited liability company and affiliate of the
ames J. Murchie is the Founder, Chief Executive Officer, co-portfolio manager and a
ergy Income Partners. After founding Energy Income Partners in October 2003, Mr.
e Energy Income Partners investment team joined Pequot Capital Management Inc.
al") in December 2004. In August 2006, Mr. Murchie and the Energy Income
ment team left Pequot Capital and re-established Energy Income Partners. Prior to
y Income Partners, Mr. Murchie was a Portfolio Manager at Lawhill Capital
("Lawhill Capital"), a long/short equity hedge fund investing in commodities and
energy and basic industry sectors. Before Lawhill Capital, Mr. Murchie was a
ctor at Tiger Management, LLC, where his primary responsibility was managing a
estments in commodities and related equities. Mr. Murchie was also a Principal at
nstein. He began his career at British Petroleum, PLC. Mr. Murchie holds a BA from
and an MA from Harvard University. Eva Pao is a Principal of Energy Income
co-portfolio manager for all its funds. She has been with EIP since inception in 2003.
mid-2006, Ms. Pao joined Pequot Capital Management during EIP's affiliation with
Harvard Business School, Ms. Pao was a Manager at Enron Corp where she
tfolio in Canadian oil and gas equities for Enron's internal hedge fund that specialized
ed equities and managed a natural gas trading book. Ms. Pao holds degrees from Rice
Harvard Business School. Linda Longville is the Research Director and a Principal

me Partners. Ms. Longville has been with Energy Income Partners since its inception
ing the time the Energy Income Partners investment team spent at Pequot Capital
nber 2004 and July 2006. From April 2001 through September 2003, she was a
t for Lawhill Capital. Prior to Lawhill Capital, Ms. Longville held positions in
siness development at British Petroleum, PLC and Advanced Satellite
ns, Inc. She has a BAS from Miami University (Ohio) and an MA from Case Western
rsity. Saul Ballesteros is the Head of Trading and a Principal of Energy Income
allesteros joined Energy Income Partners in 2006 after six years as a proprietary
Group and Mirant Corp. From 1994 through 1999, he was with Enron's internal hedge
positions of increased responsibility, and, from 1991 through 1994, Mr. Ballesteros
of financial planning at IBM. Mr. Ballesteros holds a BS from Duke University and
Northwestern University. - 51 - For additional information concerning Energy
s, including a description of the services provided and additional information about
folio managers, including the portfolio managers' compensation, other accounts
e portfolio managers and the portfolio managers' ownership of Fund shares, see
in the SAI. INVESTMENT MANAGEMENT AGREEMENT Pursuant to an
nagement agreement (the "Investment Management Agreement") between First Trust
he Fund, the Fund has agreed to pay for the services and facilities provided by First
an annual management fee, payable on a monthly basis, equal to 1.00% of the Fund's
s. For purposes of calculation of the management fee, the Fund's "Managed Assets"
age daily gross asset value of the Fund (which includes assets attributable to the
d Shares, if any, and the principal amount of Borrowings), minus the sum of the
and unpaid dividends on any outstanding Preferred Shares and accrued liabilities
principal amount of any Borrowings incurred and the liquidation preference of any
eferred Shares). In addition to the management fee of First Trust Advisors, the Fund
osts and expenses of its operations, including compensation of its trustees (other than
with First Trust Advisors), custodian, transfer agency, administrative, accounting
isbursing expenses, legal fees, leverage expenses, expenses of independent auditors,
purchasing shares, expenses of preparing, printing and distributing shareholder
, proxy statements and reports to governmental agencies, and taxes, if any. The
ceives a portfolio management fee equal to 0.50% of the Fund's Managed Assets.
or's fee is paid by the Advisor out of the Advisor's management fee. Because the fee
visor (and by the Advisor to the Sub-Advisor) will be calculated on the basis of the
d Assets, which include the proceeds of leverage, the dollar amount of the Advisor's
und (and Sub-Advisor's fees from the Advisor) will be higher (and the Advisor and
ill be benefited to that extent) when leverage is utilized. In this regard, if the Fund
n the amount equal to 24% of the Fund's Managed Assets (after their issuance), the
ment fee would be 1.31% of net assets attributable to common shares. See "Summary
ses." NET ASSET VALUE The Fund determines the net asset value of its common
of the close of regular session trading on the NYSE (normally 4:00 p.m. eastern
t value is computed by dividing the value of all assets of the Fund (including option
rued interest and dividends), less all Fund liabilities (including accrued expenses,
ble, current and deferred income taxes, any borrowings of the Fund and the market
n call options) and the liquidation value of any outstanding Preferred Shares, by the
f shares outstanding. The Fund will rely to some extent on information provided by
ch is usually not timely, to estimate taxable income allocable to the MLP units held in
folio and to estimate the associated deferred tax liability. From time to time the Fund
estimates and/or assumptions regarding its deferred tax liability as new information
ble. To the extent the Fund modifies its estimates and/ or assumptions, the net asset
nd would likely fluctuate. For purposes of determining the net asset value of the
narketable portfolio securities listed on any exchange other than The Nasdaq Stock

ued, except as indicated below, at the last sale price on the business day as of which
eing determined. If there has been no sale on such day, the securities are valued at the
ost recent bid and asked prices on such day. Securities admitted to trade on The
Market are valued at the NASDAQ Official Closing Price as determined by
tfolio securities traded on more than one securities exchange are valued at the last
e business day as of which such value is being determined at the close of the
senting the principal market for such securities. Equity securities traded in the
er market, but excluding securities admitted to trading on The Nasdaq Stock Market,
e closing bid prices. Fixed income securities with a remaining maturity of 60 days or
alued by the Fund using a pricing service. When price quotes are not available, fair
based on prices of comparable securities. Fixed income securities maturing within
ued by the - 52 - Fund on an amortized cost basis. The value of any portfolio security
nd for which reliable market quotations are not readily available, including illiquid
a valuation is deemed inappropriate, will be determined under procedures adopted by
rustees in a manner that reflects fair market value of the security on the valuation
vative transaction that the Fund enters into may, depending on the applicable market
ave a positive or negative value for purposes of calculating net asset value. Any
ion that the Fund enters into may, depending on the applicable market environment,
or a positive value. Exchange traded options and futures contracts are valued at the
the market where such contracts are principally traded. DISTRIBUTIONS The Fund
e quarterly distributions to common shareholders. Fund distributions will generally
ash or paid-in-kind distributions from MLPs or their affiliates, interest payments
ot securities owned by the Fund and dividend or other payments on equity securities
Fund, less (ii) current or accrued operating expenses of the Fund, including taxes on
ncome and leverage costs. The Fund anticipates that, due to the tax treatment under
cash distributions made by MLPs in which the Fund will invest, a portion of
e Fund makes to common shareholders may consist of a tax-deferred return of
utions to Common Shareholders are recorded on the ex-date and are determined
generally accepted accounting principles, which may differ from their ultimate
n for federal income tax purposes. Distributions made from current and accumulated
rofits of the Fund will be taxable to shareholders as dividend income. Distributions
mount greater than the Fund's current and accumulated earnings and profits will
-deferred return of capital to the extent of a shareholder's basis in the Common
ch distributions will correspondingly increase the realized gain upon the sale of the
es. Additionally, distributions not paid from current and accumulated earnings and
eed a shareholder's tax basis in the Common Shares will be taxed as a capital gain.
pital gains, if any, net of applicable taxes, will be retained by the Fund. Unless you
cash distributions, your distributions of net investment income will automatically be
additional common shares pursuant to the Fund's Dividend Reinvestment Plan.
y the Fund, whether paid in cash or in additional common shares, will be taken into
suring the performance of the Fund with respect to its investment objective.
EINVESTMENT PLAN If your common shares are registered directly with the Fund
your common shares with a brokerage firm that participates in the Fund's Dividend
Plan, unless you elect to receive cash distributions, all dividends and distributions on
shares will be automatically reinvested by the Plan Agent, BNY Mellon Investment
Inc., as successor to PNC Global Investment Servicing (U.S.) Inc., in additional
s under the Dividend Reinvestment Plan (the "Plan"). If you elect to receive cash
ou will receive all distributions in cash paid by check mailed directly to you by BNY
ment Servicing (US) Inc., as successor to PNC Global Investment Servicing (U.S.)
d paying agent. You are automatically enrolled in the Plan when you become a
the Fund. As a participant in the Plan, the number of common shares you will receive

ned as follows: (1) If the common shares are trading at or above net asset value at the
on, the Fund will issue new shares at a price equal to the greater of (i) net asset value
hare on that date or (ii) 95% of the market price on that date. (2) If common shares are
net asset value at the time of valuation, the Plan Agent will receive the dividend or
cash and will purchase common shares in the open market, on the NYSE Amex or
the participants' accounts. It is possible that the market price for the common shares
efore the Plan Agent has completed its purchases. Therefore, the average purchase
paid by the Plan Agent may exceed the market price at the time of valuation,
purchase of - 53 - fewer shares than if the dividend or distribution had been paid in
s issued by the Fund. The Plan Agent will use all dividends and distributions received
hase common shares in the open market within 30 days of the valuation date except
ry curtailment or suspension of purchases is necessary to comply with federal
Interest will not be paid on any uninvested cash payments. You may elect to opt-out
from the Plan at any time by giving written notice to the Plan Agent, or by telephone
710, in accordance with such reasonable requirements as the Plan Agent and Fund
n. If you withdraw or the Plan is terminated, you will receive a certificate for each
your account under the Plan and you will receive a cash payment for any fraction of
account. If you wish, the Plan Agent will sell your shares and send you the proceeds,
ge commissions. The Plan Agent maintains all shareholders' accounts in the Plan and
onfirmation of all transactions in the accounts, including information you may need
Common shares in your account will be held by the Plan Agent in non-certificated
Agent will forward to each participant any proxy solicitation material and will vote
eld only in accordance with proxies returned to the Fund. Any proxy you receive will
mon shares you have received under the Plan. There is no brokerage charge for
f your dividends or distributions in common shares. However, all participants will
hare of brokerage commissions incurred by the Plan Agent when it makes open
es. Automatically reinvesting dividends and distributions does not mean that you do
income taxes due upon receiving dividends and distributions. See "Tax Matters." If
common shares with a brokerage firm that does not participate in the Plan, you will
participate in the Plan and any dividend reinvestment may be effected on different
e described above. Consult your financial advisor for more information. The Fund
ht to amend or terminate the Plan if in the judgment of the Board of Trustees the
anted. There is no direct service charge to participants in the Plan; however, the Fund
ht to amend the Plan to include a service charge payable by the participants.
ormation about the Plan may be obtained from PNC Global Investment Servicing
Bellevue Parkway, Wilmington, Delaware 19809. PLAN OF DISTRIBUTION The
the Common Shares being offered under this prospectus in any one or more of the
: o directly to purchasers; o through agents; o to or through underwriters; or o
. The Fund may distribute the Common Shares from time to time in one or more
o a fixed price or prices, which may be changed; o market prices prevailing at the
prices related to prevailing market prices; or o negotiated prices. The Fund may
offers to purchase Common Shares, or the Fund may designate agents to solicit such
nd will, in a prospectus supplement relating to such offering, name any agent that
d as an underwriter under the Securities Act of 1933 and describe any commissions
pay. Any such agent will be acting on a best efforts basis for the period of its
, if indicated in the applicable prospectus supplement or other offering materials, on a
ent basis. Agents, dealers and underwriters may be customers of, engage in
th, or perform services for the Fund in the ordinary course of business. If any
agents are utilized in the sale of Common Shares in respect of which this prospectus
e Fund will enter into an - 54 - underwriting agreement or other agreement with them
ale to them, and the Fund will set forth in the prospectus supplement relating to such

ames and the terms of the Fund's agreement with them. If a dealer is utilized in the
n Shares in respect of which this prospectus is delivered, the Fund will sell such
es to the dealer, as principal. The dealer may then resell such Common Shares to the
ng prices to be determined by such dealer at the time of resale. The Fund may engage
t offerings to or through a market maker or into an existing trading market, on an
nerwise, in accordance with Rule 415(a)(4). An at-the-market offering may be
erwriter or underwriters acting as principal or agent for the Fund. Agents,
nd dealers may be entitled under agreements which they may enter into with the Fund
tion by the Fund against certain civil liabilities, including liabilities under the
and may be customers of, engage in transactions with or perform services for the
inary course of business. In order to facilitate the offering of the Common Shares,
rs may engage in transactions that stabilize, maintain or otherwise affect the price of
hares or any other Common Shares the prices of which may be used to determine
e Common Shares. Specifically, any underwriters may over-allot in connection with
eating a short position for their own accounts. In addition, to cover over-allotments or
price of the Common Shares or of any such other Common Shares, the underwriters
d purchase, the Common Shares or any such other Common Shares in the open
, in any offering of the Common Shares through a syndicate of underwriters, the
yndicate may reclaim selling concessions allowed to an underwriter or a dealer for
Common Shares in the offering if the syndicate repurchases previously distributed
es in transactions to cover syndicate short positions, in stabilization transactions or
of these activities may stabilize or maintain the market price of the Common Shares
dent market levels. Any such underwriters are not required to engage in these
nay end any of these activities at any time. The Fund may enter into derivative
th third parties, or sell Common Shares not covered by this prospectus to third parties
gotiated transactions. If the applicable prospectus supplement indicates, in connection
vatives, the third parties may sell Common Shares covered by this prospectus and the
pectus supplement or other offering materials, including in short sale transactions. If
rties may use Common Shares pledged by the Fund or borrowed from the Fund or
those sales or to close out any related open borrowings of stock, and may use
es received from the Fund in settlement of those derivatives to close out any related
gs of stock. The third parties in such sale transactions will be underwriters and, if not
s prospectus, will be identified in the applicable prospectus supplement or other
als (or a post-effective amendment). The Fund or one of the Fund's affiliates may
Common Shares to a financial institution or other third party that in turn may sell the
es using this prospectus. Such financial institution or third party may transfer its short
estors in our Common Shares or in connection with a simultaneous offering of other
es offered by this prospectus or otherwise. The maximum commission or discount to
any member of the Financial Industry Regulatory Authority will not be greater than
f the initial gross proceeds from the sale of any security being sold. Any underwriter,
utilized in the initial offering of Common Shares will not confirm sales to accounts
xercises discretionary authority without the prior specific written approval of its
CRIPTION OF SHARES COMMON SHARES The Declaration of Trust authorizes
an unlimited number of common shares. The Common Shares being offered in this
par value of $0.01 per share and, subject to the rights of holders of Preferred Shares,
ual rights to the payment of dividends and the distribution of assets upon liquidation.
28, 2011, the Fund had 11,244,133 common shares outstanding. The Common
ffered by this prospectus will, when issued, be fully paid and, subject to matters
Certain Provisions in the Declaration of Trust and By-Laws," non-assessable, and
no preemptive or conversion rights (except as may otherwise be determined by the
r sole discretion) or rights to cumulative voting. - 55 - The Fund's currently

mmon shares are, and the Common Shares offered in this prospectus will be, subject
uance, listed on the NYSE Amex (formerly the American Stock Exchange) under the
er" symbol "FEN." Section 23(b) of the 1940 Act, in relevant part, provides that a
ed-end fund may not sell any of its common stock at a price below the current net
uch stock, exclusive of any distribution commission or discount, except with the
ajority of its common stockholders, or under certain other circumstances. At a special
reholders of the Fund held on January 8, 2008, the Fund obtained authority from its
issue and sell common shares at a net price less than its then-current net asset value
ct to the following conditions: o The per share offering price, before the deduction of
es, commissions and offering expenses, will not be less than the net asset value per
nd's common shares, as determined at any time within two business days prior to the
ommon shares to be sold in the offering. o Immediately following each offering of
shares, after deducting underwriting fees, commissions and offering expenses, the net
share of the Fund's common shares, as determined at any time within two business
e pricing of the common shares to be sold, would not have been diluted by greater
1% of the net asset value per share of all of the Fund's outstanding common shares.
not be subject to a maximum number of common shares that can be sold or a defined
price per share in any offering so long as for each offering the number of common
and the price at which such common shares are sold together would not result in
net asset value per share of the Fund's common shares in excess of the 1% limitation
e. o A majority of the Independent Trustees makes a determination, based on
d a recommendation from the Advisor, that they reasonably expect that the
be made with the net proceeds of such issuance will lead to a long-term increase in
asset value or a long-term increase in the level of the Fund's distributions to
n connection with any sale of Common Shares below net asset value as described
isor and Sub-Advisor have committed to waive a portion of their investment advisory
dvisory fees following any such offering of Common Shares in the following manner:
nd Sub-Advisor will waive all investment advisory fees and sub-advisory fees with
Fund's assets attributable to such newly issued Common Shares (including any assets
associated financial leverage) for the first three-month period following any offering
ares; and o the Advisor and Sub-Advisor will waive 50% of investment advisory fees
ry fees with respect to the Fund's assets attributable to such newly issued Common
ng such assets attributable to associated financial leverage) for the second
riod following such offering of Common Shares. See "Management of the Fund --
nagement Agreement" for a description of the investment advisory and sub-advisory
the Advisor and the Sub-Advisor. The Fund will not issue and sell Common Shares
han its then-current net asset value per share in accordance with the above conditions
in a prospectus supplement to this prospectus. Unlike open-end funds, closed-end
Fund do not continuously offer shares and do not provide daily redemptions. Rather,
r determines to buy additional common shares or sell shares already held, the
y conveniently do so by trading on the exchange through a broker or otherwise.
d-end investment companies may frequently trade on an exchange at prices lower
alue. Shares of closed-end investment companies like the Fund have during some
at prices higher than net asset value and during other periods have traded at prices
asset value. Because the market value of the common shares may be influenced by
dividend levels (which are in turn affected by expenses), dividend stability, portfolio
net asset value, relative demand for and supply of such shares in the market, general
5 - economic conditions, and other factors beyond the control of the Fund, the Fund
ou that the common shares will trade at a price equal to or higher than net asset value
he common shares are designed primarily for long-term investors, and investors in
ares should not view the Fund as a vehicle for trading purposes. See "Structure of the

n Share Repurchases and Change in Fund Structure." PREFERRED SHARES The
Trust provides that the Fund's Board of Trustees may authorize and issue Preferred
hts as determined by the Board of Trustees, by action of the Board of Trustees
proval of the holders of the common shareholders. Holders of common shares have no
ht to purchase any Preferred Shares that might be issued. The Fund may elect to issue
es as part of its leverage strategy. The Board of Trustees also reserves the right to
Shares to the extent permitted by the 1940 Act, which currently limits the aggregate
ference of all outstanding Preferred Shares to 50% of the value of the Fund's
ts less liabilities and indebtedness of the Fund. The Fund cannot assure you, however,
red Shares will be issued. Although the terms of any Preferred Shares, including
liquidation preference and redemption provisions, will be determined by the Board of
ct to applicable law and the Declaration of Trust, it is likely that the Preferred Shares
ed to carry a relatively short-term dividend rate reflecting interest rates on short-term
iding for the periodic redetermination of the dividend rate at relatively short intervals
tion, remarketing or other procedure. The Fund also believes that it is likely that the
ference, voting rights and redemption provisions of the Preferred Shares will be
stated below. Liquidation Preference. In the event of any voluntary or involuntary
solution or winding up of the Fund, the holders of Preferred Shares will be entitled to
rential liquidating distribution, which is expected to equal the original purchase price
hare plus accrued and unpaid dividends, whether or not declared, before any
assets is made to holders of common shares. After payment of the full amount of the
ribution to which they are entitled, the holders of Preferred Shares will not be entitled
participation in any distribution of assets by the Fund. Voting Rights. The 1940 Act
e holders of any Preferred Shares, voting separately as a single class, have the right to
vo trustees at all times. The remaining trustees will be elected by holders of common
ferred Shares, voting together as a single class. In addition, subject to the prior rights,
olders of any other class of senior securities outstanding, the holders of any Preferred
e right to elect a majority of the trustees of the Fund at any time two years' dividends
ed Shares are unpaid. The 1940 Act also requires that, in addition to any approval by
at might otherwise be required, the approval of the holders of a majority of any
eferred Shares, voting separately as a class, would be required to (1) adopt any plan of
that would adversely affect the Preferred Shares, and (2) take any action requiring a
holders under Section 13(a) of the 1940 Act, including, among other things, changes
ubclassification as a closed-end investment company or changes in its fundamental
rictions. See "Certain Provisions in the Declaration of Trust and By-Laws." As a
voting rights, the Fund's ability to take any such actions may be impeded to the extent
ny Preferred Shares outstanding. The Board of Trustees presently intends that, except
dicated in this prospectus and except as otherwise required by applicable law, holders
ares will have equal voting rights with holders of common shares (one vote per
therwise required by the 1940 Act) and will vote together with holders of common
gle class. The affirmative vote of the holders of a majority of the outstanding
es, voting as a separate class, will be required to amend, alter or repeal any of the
ghts or powers of holders of Preferred Shares so as to affect materially and adversely
es, rights or powers, or to increase or decrease the authorized number of Preferred
ss vote of holders of Preferred Shares described above will in each case be in
other vote required to authorize the action in question. Redemption, Purchase and
ed Shares by the Fund. The terms of any Preferred Shares issued are expected to
) they are redeemable by the Fund in whole or in part at the original purchase price
accrued dividends per share, (2) the Fund may tender for or purchase Preferred Shares
d may subsequently resell any shares so tendered for or - 57 - purchased. Any
purchase of Preferred Shares by the Fund will reduce the leverage applicable to the

s, while any resale of shares by the Fund will increase that leverage. The discussion
s the possible offering of Preferred Shares by the Fund. If the Board of Trustees
proceed with such an offering, the terms of the Preferred Shares may be the same as,
m, the terms described above, subject to applicable law and the Fund's Declaration of
rd of Trustees, without the approval of the holders of common shares, may authorize
Preferred Shares or may determine not to authorize such an offering, and may fix the
eferred Shares to be offered. DESCRIPTION OF BORROWINGS The Fund's
Trust authorizes the Fund, without prior approval of the common shareholders, to
In this connection, the Fund may issue notes or other evidence of indebtedness
k borrowings or commercial paper) and may secure any such borrowings by
edging or otherwise subjecting as security the Fund's assets. In connection with such
Fund may be required to maintain minimum average balances with the lender or to
nent or other fee to maintain a line of credit. Any such requirements will increase the
ng over the stated interest rate. Under the requirements of the 1940 Act, the Fund,
ter any such borrowings, must have an "asset coverage" of at least 300% (331/3% of
ts after borrowings). With respect to such borrowing, asset coverage means the ratio
e of the Managed Assets of the Fund, less all liabilities and indebtedness not
senior securities (as defined in the 1940 Act), bears to the aggregate amount of such
esented by senior securities issued by the Fund. The rights of lenders to the Fund to
on and repayment of principal of any such borrowings will be senior to those of the
holders, and the terms of any such borrowings may contain provisions which limit
es of the Fund, including the payment of dividends to common shareholders in certain
Further, the 1940 Act does (in certain circumstances) grant to the lenders to the Fund
rights in the event of default in the payment of interest on or repayment of principal.
at the Fund elects to be treated as a regulated investment company, and that such
ld impair the Fund's status as a regulated investment company under the Internal
the Fund, subject to its ability to liquidate its relatively illiquid portfolio, intends to
wings. Any borrowing will likely be ranked equal to all other existing and future
the Fund. Certain types of borrowings may result in the Fund being subject to
edit agreements relating to asset coverage and portfolio composition requirements.
be subject to certain restrictions on investments imposed by guidelines of one or
encies, which may issue ratings for the short-term corporate debt securities or
es issued by the Fund. These guidelines may impose asset coverage or portfolio
quirements that are more stringent than those imposed by the 1940 Act. It is not
t these covenants or guidelines will impede the Sub-Advisor from managing the
o in accordance with the Fund's investment objective and policies. The Commitment
used by the Fund for general corporate purposes, including for financing a portion of
stments. The Commitment Facility is secured by a first priority perfected security
ssets of the Fund. In addition, the loan documents under the Commitment Facility
d's ability to change its investment advisor, sub-advisor or custodian, amend its
vestment policies or investment objective, or take on additional indebtedness without
rom the provider of the Commitment Facility. CERTAIN PROVISIONS IN THE
ON OF TRUST AND BY-LAWS Under Massachusetts law, shareholders could, in
tances, be held personally liable for the obligations of the Fund. However, the
Trust contains an express disclaimer of shareholder liability for debts or obligations
d requires that notice of such limited liability be given in each agreement, obligation
ntered into or executed by the Fund or the Board of Trustees. The Declaration of
rovides for indemnification out of the assets and property of the Fund for all loss and
shareholder of the Fund. Thus, the risk of a shareholder incurring financial loss on
reholder liability is limited to circumstances in which the Fund would be unable to
tions. The Fund believes that the likelihood of such circumstances is remote. - 58 -

n of Trust and By-Laws include provisions that could limit the ability of other entities
cquire control of the Fund or to convert the Fund to open-end status. The number of
ently five, but by action of two-thirds of the trustees, the Board of Trustees may from
increased or decreased. The Board of Trustees is divided into three classes of
g staggered three-year terms, with the terms of one class expiring at each annual
reholders. If the Fund issues Preferred Shares, the Fund may establish a separate class
elected by the holders of the Preferred Shares. Subject to applicable provisions of the
ncies on the Board of Trustees may be filled by a majority action of the remaining
provisions may work to delay a change in the majority of the Board of Trustees. The
he Declaration of Trust relating to the election and removal of trustees may be
by a vote of two-thirds of the trustees then in office. Generally, the Declaration of
a vote by holders of at least two-thirds of the common shares and Preferred Shares, if
ether as a single class, except as described below and in the Declaration of Trust, to
conversion of the Fund from a closed-end to an open-end investment company; (2) a
olidation of the Fund with any corporation, association, trust or other organization,
es or class of such other organization (subject to a limited exception if the acquiring
operating entity immediately prior to the transaction); (3) a sale, lease or exchange of
ally all of the Fund's assets (other than in the regular course of the Fund's investment
nnection with the termination of the Fund, and other limited circumstances set forth
on of Trust); (4) in certain circumstances, a termination of the Fund; (5) a removal of
mon shareholders; or (6) certain transactions in which a Principal Shareholder (as
Declaration of Trust) is a party to the transaction. However, with respect to (1) above,
ferred Shares outstanding, the affirmative vote of the holders of two-thirds of the
es voting as a separate class shall also be required. With respect to (2) above, except
ay be required, if the transaction constitutes a plan of reorganization which adversely
d Shares, if any, then an affirmative vote of two-thirds of the Preferred Shares voting
parate class is required as well. With respect to (1) through (3), if such transaction
n authorized by the affirmative vote of two-thirds of the trustees, then the affirmative
ority of the outstanding voting securities, as defined in the 1940 Act (a "Majority
ote"), is required, provided that when only a particular class is affected (or, in the case
trustee, when the trustee has been elected by only one class), only the required vote of
lass will be required. Such affirmative vote or consent shall be in addition to the vote
he holders of the Fund's shares otherwise required by law or any agreement between
ny national securities exchange. Approval of Fund shareholders is not required,
ny transaction, whether deemed a merger, consolidation, reorganization, exchange of
wise whereby the Fund issues shares in connection with the acquisition of assets
e subject to liabilities) from any other investment company or similar entity. None of
rovisions in the Declaration of Trust may be amended except by the vote of at least
he common shares and Preferred Shares, if any, outstanding and entitled to vote. Only
rustees my amend the By-Laws. See the SAI under "Certain Provisions in the
Trust and By-Laws." The provisions of the Declaration of Trust and By-Laws
e could have the effect of depriving the common shareholders of opportunities to sell
shares at a premium over the then current market price of the common shares by
third party from seeking to obtain control of the Fund in a tender offer or similar
e overall effect of these provisions is to render more difficult the accomplishment of
assumption of control by a third party. They provide, however, the advantage of
uiring persons seeking control of the Fund to negotiate with its management
rice to be paid and facilitating the continuity of the Fund's investment objective and
oard of Trustees of the Fund has considered the foregoing anti-takeover provisions
that they are in the best interests of the Fund and its common shareholders. Reference
e to the Declaration of Trust on file with the SEC for the full text of these provisions.

OF THE FUND; COMMON SHARE REPURCHASES AND CHANGE IN FUND
\ CLOSED-END STRUCTURE Closed-end funds differ from open-end management
npanies (commonly referred to as mutual funds) in that closed-end funds generally
for trading on a securities exchange and do not redeem their shares at the option of
. By comparison, mutual funds issue securities redeemable at net asset value at the
hareholder and typically engage in a continuous offering of their shares. Mutual funds
ontinuous asset in-flows and out-flows that can complicate portfolio management,
-end funds generally can stay more fully invested in - 59 - securities consistent with
fund's investment objective and policies. In addition, in comparison to open-end
nd funds have greater flexibility in their ability to make certain types of investments,
tments in illiquid securities. However, shares of closed-end investment companies
g on a securities exchange frequently trade at a discount from net asset value, but in
de at a premium. The market price may be affected by trading volume of the shares,
and economic conditions and other factors beyond the control of the closed-end
going factors may result in the market price of the common shares being greater than,
ual to net asset value. The Board of Trustees has reviewed the structure of the Fund in
stment objective and policies and has determined that the closed-end structure is in
ts of the shareholders. As described below, however, the Board of Trustees will
cally the trading range and activity of the Fund's shares with respect to its net asset
Board may take certain actions to seek to reduce or eliminate any such discount. Such
clude open market repurchases or tender offers for the common shares at net asset
ssible conversion of the Fund to an open-end fund. There can be no assurance that the
de to undertake any of these actions or that, if undertaken, such actions would result
shares trading at a price equal to or close to net asset value per common share. In
ted above, the Board of Trustees determined in connection with the initial offering of
of the Fund that the closed-end structure is desirable, given the Fund's investment
olicies. Investors should assume, therefore, that it is highly unlikely that the Board of
vote to convert the Fund to an open-end investment company. REPURCHASE OF
ARES AND TENDER OFFERS In recognition of the possibility that the common
ade at a discount to net asset value and that any such discount may not be in the
eholders, the Fund's Board of Trustees, in consultation with the Advisor,
nd the corporate finance services and consulting agent that the Advisor has retained,
me will review possible actions to reduce any such discount. The Board of Trustees of
onsider from time to time open market repurchases of and/or tender offers for
to seek to reduce any market discount from net asset value that may develop. In
its consideration from time to time of open-end repurchases of and/or tender offers
ares, the Board of Trustees of the Fund will consider whether to commence a tender
epurchase program at the first quarterly board meeting following a calendar year in
's common shares have traded at an average weekly discount from net asset value of
in the last 12 weeks of that calendar year. After any consideration of potential
to reduce any significant market discount, the Board may, subject to its fiduciary
compliance with applicable state and federal laws, authorize the commencement of a
se program or tender offer. The size and timing of any such share repurchase program
will be determined by the Board of Trustees in light of the market discount of the
, trading volume of the common shares, information presented to the Board of
ling the potential impact of any such share repurchase program or tender offer, and
and economic conditions. There can be no assurance that the Fund will in fact effect
or tender offers for any of its common shares. The Fund may, subject to its
itation with respect to borrowings and limitations on seniority within the Fund's
e if the Fund has other borrowings outstanding at such time, incur debt to finance
es or a tender offer or for other valid purposes. Interest on any such borrowings

the Fund's expenses and reduce the Fund's net income. There can be no assurance
s of common shares or tender offers, if any, will cause the common shares to trade at
or in excess of their net asset value. Nevertheless, the possibility that a portion of the
ding common shares may be the subject of repurchases or tender offers may reduce
ween market price and net asset value that might otherwise exist. In the opinion of the
ay be less inclined to accept a significant discount in the sale of their common shares
easonable expectation of being able to receive a price of net asset value for a portion
on shares in conjunction with an announced repurchase program or tender offer for
ares. Although the Board of Trustees believes that repurchases or tender offers
d have a favorable effect on the market price of the common shares, the acquisition
res by the Fund will decrease the Managed Assets of the Fund and therefore will
of increasing the Fund's expense ratio and decreasing the asset coverage with respect
d Shares outstanding. Because of the nature of the Fund's investment objective,
rtfolio, the Advisor and the Sub-Advisor do not anticipate that repurchases of
s or tender offers should interfere with the ability of the Fund to manage its
order to seek its investment objective, and does not anticipate any material difficulty
noney or disposing - 60 - of portfolio securities to consummate repurchases of or
or common shares, although no assurance can be given that this will be the case.
N TO OPEN-END FUND The Fund may be converted to an open-end investment
y time if approved by the holders of two-thirds of the Fund's common shares
d entitled to vote; provided, however, that such vote shall be by Majority Shareholder
on in question was previously approved by the affirmative vote of two-thirds of the
affirmative vote or consent shall be in addition to the vote or consent of the holders
herwise required by law or any agreement between the Fund and any national
ange. In the event of conversion, the common shares would cease to be listed on the
r other national securities exchange or market system. Any Preferred Shares would
emed and any Borrowings may need to be repaid upon conversion to an open-end
npany. Additionally, the 1940 Act imposes limitations on open-end funds'
illiquid securities, which could restrict the Fund's ability to invest in certain securities
s prospectus to the extent discussed herein. Such limitations could adversely affect
Fund common shareholders in the event of conversion to an open-end fund. The
ees believes, however, that the closed-end structure is desirable, given the Fund's
ective and policies. Investors should assume, therefore, that it is unlikely that the
ees would vote to convert the Fund to an open-end investment company.
f an open-end investment company may require the company to redeem their shares
cept in certain circumstances as authorized by or under the 1940 Act) at their net
s such redemption charge, if any, as might be in effect at the time of a redemption.
d expect to pay all such redemption requests in cash, but intends to reserve the right
ion requests in a combination of cash or securities. If such partial payment in
made, investors may incur brokerage costs in converting such securities to cash. If
converted to an open-end fund, it is likely that new common shares would be sold at
plus a sales load. TAX MATTERS The following discussion of federal income tax
d on the advice of Chapman and Cutler LLP, counsel to the Fund. MATTERS
This section and the discussion in the SAI provide a general summary of the material
come tax consequences to the persons who purchase, own and dispose of the common
not address all federal income tax consequences that may apply to investment in the
s. Unless otherwise indicated, this discussion is limited to taxpayers who are U.S.
ined herein. The discussion that follows is based on the provisions of the Internal
on treasury regulations promulgated thereunder as in effect on the date hereof and
icial and administrative interpretations thereof. These authorities are subject to
differing interpretations, which could apply retroactively. Potential investors should

vn tax advisors in determining the federal, state, local, foreign and any other tax
o them of the purchase, ownership and disposition of the common shares. This
s not address all tax consequences that may be applicable to a U.S. person that is a
er of common shares, nor does it address, unless specifically indicated, the tax
o, among others, (i) persons that may be subject to special treatment under U.S.
tax law, including, but not limited to, banks, insurance companies, thrift institutions,
tment companies, real estate investment trusts, tax-exempt organizations and dealers
currencies, (ii) persons that will hold common shares as part of a position in a
part of a "hedging," "conversion" or other integrated investment transaction for U.S.
tax purposes, (iii) persons whose functional currency is not the U.S. dollar or (iv)
not hold common shares as capital assets within the meaning of Section 1221 of the
ue Code. For purposes of this discussion, a "U.S. person" is (i) an individual citizen
ne United States, (ii) a corporation or partnership organized in or under the laws of
es or any state thereof or the District of Columbia (other than a partnership that is not
S. person under any applicable treasury regulations), (iii) an estate the income of
ct to U.S. federal income taxation regardless of its source, or (iv) a trust if a court
ed States is able to exercise primary supervision over the administration of such trust
e U.S. persons have the authority to control all the substantial decisions of such trust.
tanding clause (iv) above, to the extent provided in regulations, certain trusts in
ugust 20, 1996 and treated as U.S. persons prior to such date that elect to continue to
so shall be considered U.S. persons. TAX CHARACTERIZATION OF THE FUND
ERAL INCOME TAX PURPOSES The Fund has elected to be treated as a regular C
U.S. federal income tax purposes. Thus, the Fund is subject to U.S. corporate
its U.S. taxable income. Such taxable income would generally include all of the
me from the MLPs. The current U.S. federal maximum graduated income tax rate for
35%. In addition, the United States also imposes a 20% alternative minimum tax on
d alternative minimum taxable income of an entity treated as a corporation. Any such
income tax or alternative minimum tax could materially reduce cash available to
s on the common shares. The Fund will also be obligated to pay state income tax on
me, either because the states follow the federal election or because the states
ose a tax on the Fund. The MLPs in which the Fund intends to invest are generally
erships for U.S. federal income tax purposes. As a partner in the MLPs, the Fund will
report its allocable share of MLP income, gain, loss, deduction and expense, whether
is distributed from the MLPs. The Fund intends to invest in energy MLPs, so the
es that the majority of the Fund's items of income, gain, loss, deduction and expense
to energy ventures. However, some items are likely to relate to the temporary
he Fund's capital, which may be unrelated to energy ventures. Although the Fund
the interests in the MLPs for investment, the Fund is likely to sell interests in a
' from time to time. On any such sale, the Fund will recognize gain or loss based upon
between the consideration received for tax purposes on the sale and the Fund's tax
erest sold. The consideration received is generally the amount paid by the purchaser
f the MLP allocated to the Fund that will shift to the purchaser on the sale. The
s in an MLP is the amount paid for the interest, decreased for any distributions of
by the Fund in excess of the Fund's allocable share of taxable income and decreased
llocable share of net losses. Thus, although cash in excess of taxable income and net
create a temporary economic benefit to the Fund, they will increase the amount of
se the amount of loss) on the sale of an interest in an MLP. No favorable federal
applies to long-term capital gains for entities treated as corporations for federal
poses, such as the Fund. Thus, the Fund will be subject to federal income tax on its
tal gains, like ordinary income, at rates of up to 35%. In calculating the Fund's
imum taxable income, certain percentage depletion deductions and intangible drilling

eated as items of tax preference. Items of tax preference increase alternative
ble income and increase the likelihood that the Fund may be subject to the alternative
The Fund is not treated as a regulated investment company for federal income tax
der to qualify as a regulated investment company, the income and assets of the
meet certain minimum threshold tests. Because the Fund invests a substantial portion
Assets in MLPs that invest in energy ventures, the Fund does not meet such tests. In
tax rules that will apply to the Fund, a regulated investment company generally does
ate income tax. Thus, the regulated investment company taxation rules have no
he Fund or Common Shareholders of the Fund. TAXATION OF THE
ERS Distributions. The Fund's distributions will be treated as dividends to common
the extent of the Fund's current or accumulated earnings and profits as determined
ome tax purposes. As discussed in greater detail below, prior to 2013, dividends that
lified dividend income" are generally taxed to individuals at a maximum 15% rate if
period and other requirements are met by the common shareholder receiving such
2012, individuals will be taxed at ordinary rates on dividend income. The current
for individuals on ordinary income is 35%. This rate is scheduled to increase to
12. Corporations are generally subject to tax on dividends at a maximum 35% rate,
s may be eligible to exclude 70% of the dividends if certain - 62 - holding period
re met. Common shareholders that are not U.S. persons are generally subject to a
ng tax, unless (i) the common shareholder's interest in the Fund is effectively
U.S. trade or business and the common shareholder provides the Fund with a Form
under penalties of perjury (in which case, the common shareholder will be subject to
. graduated rates) or (ii) the common shareholder is eligible for the benefits of a U.S.
aty and provides the Fund with a Form W-8BEN signed under penalties of perjury (in
common shareholder will be subject to the rate of withholding provided for in the
. In addition, distributions and dispositions of interests in the Fund after December
be subject to a U.S. withholding tax of 30% in the case of distributions to (i) certain
cial institutions that have not entered into an agreement with the U.S. Treasury to
close certain information and (ii) certain other non-U.S. entities that do not provide
ations and information about the entity's U.S. owners. If a Fund distribution exceeds
ent and accumulated earnings and profits, the distribution will be treated as a
justment to the basis of the common shares to the extent of such basis, and then as
the extent of the excess distribution. Such gain will be long-term capital gain if the
for the common shares is more than one year. Individuals are currently subject to a
rate of 15% on long-term capital gains. This rate is currently scheduled to increase to
ars beginning after December 31, 2012. Corporations are taxed on capital gains at
graduated rates. Because unsevered natural resources are viewed as interests in real
me purposes of the Internal Revenue Code, depending upon the nature and location
ssets, the Fund could from time to time be classified as a U.S. real property holding
the Fund is classified as a U.S. real property holding corporation, dispositions of
Fund by a non-U.S. common shareholder and distributions in excess of a non-U.S.
holder's basis may be subject to 10% withholding. A corporation's earnings and
erally calculated by making certain adjustments to the corporation's reported taxable
upon the historic performance of similar MLPs, the Fund anticipates that the
n from the MLPs in its portfolio will exceed the Fund's earnings and profits. Thus, the
s that only a portion of its distributions will be treated as dividends to its common
r federal income tax purposes. Special rules apply to the calculation of earnings and
orations invested in energy ventures. The Fund's earnings and profits will be
g (i) straight-line depreciation rather than a percentage depletion method and (ii)
en-year amortization of drilling costs and exploration and development costs,
hus, these deductions may be significantly lower for purposes of calculating earnings

n they are for purposes of calculating taxable income. Because of these differences,
make distributions out of earnings and profits, treated as dividends, in years in which
ons exceed the Fund's taxable income. The maximum federal income tax rate for
qualified dividend income is currently generally 15% for tax years ending on or
er 31, 2012, unless such favorable treatment is repealed sooner by new legislation.
the Fund's distributions treated as a dividend for federal income tax purposes should
ualified dividend income for federal income tax purposes, subject to certain holding
r requirements. This rate of tax on dividends is currently scheduled to increase back
ome rates after December 31, 2012, with the maximum marginal federal income tax
% at such time. A common shareholder participating in the Fund's automatic
estment plan will be taxed upon the reinvested amount as if actually received by the
ommon shareholder and the participating common shareholder reinvested such
tional Fund common shares. The Fund will notify common shareholders annually as
ncome tax status of Fund distributions to them. Sale of Shares. Upon the sale of
, a common shareholder will generally recognize capital gain or loss measured by
etween the amount received on the sale and the common shareholder's tax basis of
s sold. As discussed above, such tax basis may be less than the price paid for the
s as a result of Fund distributions in excess of the Fund's earnings and profits. Such
loss will generally be long-term capital gain or loss, if such common shares were
eld for more than one year. In addition, distributions and dispositions of interests in
December 31, 2012 may be subject to a U.S. withholding tax of 30% in - 63 - the case
to (i) certain non-U.S. financial institutions that have not entered into an agreement
reasury to collect and disclose certain information and (ii) certain other non-U.S.
not provide certain certifications and information about the entity's U.S. owners.
lth Care and Education Reconciliation Act of 2010," income from the Fund may also
new 3.8% "Medicare tax" imposed for taxable years beginning after 2012 This tax
pply to the net investment income of a shareholder who is an individual if such
djusted gross income exceeds certain threshold amounts, which are $250,000 in the
ed couple filing joint returns and $200,000 in the case of single individuals.
porting and Withholding. The Fund will be required to report annually to the IRS,
mmon shareholder, the amount of distributions and consideration paid in redemptions,
withheld for federal income taxes, if any, for each calendar year, except as to
(including certain corporations, tax-exempt organizations, qualified pension and
rusts, and individual retirement accounts). Each common shareholder (other than
holders who are not subject to the reporting requirements without supplying any
) will be required to provide the Fund, under penalties of perjury, an IRS Form W-9,
, Form W-8ECI or an equivalent form containing the common shareholder's name,
t federal taxpayer identification number and a statement that the common shareholder
backup withholding. Should a non-exempt common shareholder fail to provide the
cation, backup withholding will apply. The current backup withholding rate for
ns is 28%, but such rate is scheduled to increase to 31% after December 31, 2012. As
ve, non-U.S. persons may be subject to withholding tax at a rate of 30%, if
cumentation demonstrating eligibility for a lower rate is not provided. Backup
not an additional tax. Any such withholding will be allowed as a credit against the
holder's federal income tax liability provided the required information is furnished to
CONSEQUENCES OF CERTAIN INVESTMENTS Federal Income Taxation of
re generally intended to be taxed as partnerships for federal income tax purposes. As
n MLP is treated as a pass-through entity for federal income tax purposes. This
federal income items of the MLP, though calculated and determined at the
el, are allocated among the partners in the MLP and are included directly in the
he taxable income of the partners whether or not cash flow is distributed from the

P files an information return, but normally pays no federal income tax. MLPs are
raded. Publicly traded partnerships are generally treated as corporations for federal
poses. However, if an MLP satisfies certain income character requirements, the MLP
continue to be treated as partnership for federal income tax purposes. Under these
n MLP must receive at least 90% of its gross income from certain "qualifying
es. Qualifying income for this purpose generally includes interest, dividends, real
real property gains, and income and gain from the exploration, development, mining
processing, refining, transportation or marketing of any mineral or natural resource
lizer, geothermal energy, and timber). As discussed above, the Fund currently invests
s, so the income of the MLPs should qualify as qualifying income. As discussed
tems of an MLP are allocated through to the partners of the MLP whether or not an
y distributions of cash. In part because estimated tax payments are payable quarterly,
ten make quarterly cash distributions. A distribution from a partnership will generally
non-taxable adjustment to the basis of the Fund's interest in the partnership to the
basis, and then as gain to the extent of the excess distribution. The gain will generally
but a variety of rules could potentially recharacterize the gain as ordinary income.
ial tax basis is the price paid for the MLP interest plus any debt of the MLP allocated
e tax basis is decreased for distributions and allocations of deductions (such as
letion) and losses, and increased for capital contributions and allocations of net
ns. When interests in a partnership are sold, the difference between (i) the sum of the
the Fund's share of debt of the partnership that will be allocated to the purchaser and
djusted tax basis will be taxable gain or loss, as the case may be. - 64 - The Fund
a Form K-1 from each MLP, showing its share of each item of MLP income, gain,
s and expense. The Fund will use that information to calculate its taxable income and
d profits. Because the Fund has elected to be taxed as a corporation, the Fund will
tems of the MLPs and any gain or loss on the sale of interests in the MLPs. The
n shareholders will be viewed for federal income tax purposes as having income or
vestment in the Fund rather than in the underlying MLPs. Common shareholders will
1099 from the Fund based upon the distributions made (or deemed to have been
an based upon the income, gain, loss or deductions of the MLPs in which the Fund
Investments. The Fund has in the past, and may in the future, attempt to generate
n the sale of call options. These premiums typically will result in short-term capital
nd. Transactions involving the disposition of the Fund's underlying securities
ant to the exercise of a call option, put option or otherwise) will give rise to capital
Because the Fund does not have control over the exercise of the call options it
ercises or other required sales of the underlying stocks may cause the Fund to realize
r losses at inopportune times. Certain of the Fund's investment practices may be
al and complex federal income tax provisions that may, among other things, (i)
nd or otherwise limit the allowance of certain losses or deductions, (ii) convert an
r a deduction into a capital loss (the deductibility of which is more limited) or (iii)
to recognize income or gain without a corresponding receipt of cash. The Fund will
sactions and may make certain tax elections in order to mitigate the effect of these
ossible. CORPORATE FINANCE SERVICES AND CONSULTING FEE First Trust
not the Fund) has entered into a Corporate Finance Services and Consulting
h Wells Fargo Advisors, LLC, as successor to A.G. Edwards (the "Consultant"), and
ay from its own assets a fee to the Consultant. This fee was payable quarterly at the
0.10% of the Fund's Managed Assets through June 29, 2006 and is payable quarterly
te of 0.15% of the Fund's Managed Assets after June 29, 2006 and will be payable
the Investment Management Agreement remains in effect between the Fund and
isors or any successor in interest or affiliate of First Trust Advisors, as and to the
n Investment Management Agreement is renewed or continued periodically in

h the 1940 Act. Pursuant to the Corporate Finance Services and Consulting
: Consultant will: (i) provide relevant information, studies or reports regarding
estment companies with similar investment objectives and/or strategies as the Fund as
trends in the closed-end investment company and asset management industries, and
presentatives of First Trust Advisors in connection therewith; (ii) at the request of
isors, provide certain economic research and statistical information and reports on
Trust Advisors or the Fund and consult with representatives of First Trust Advisors or
or Trustees of the Fund in connection therewith, which information and reports shall
tistical and financial market information with respect to the Fund's market
nd (b) comparative information regarding the Fund and other closed-end
vestment companies with respect to (x) the net asset value of their respective shares
cly available by the Fund and such investment companies), (y) the respective market
f the Fund and such other companies, and (z) other relevant performance indicators;
e First Trust Advisors with such other services in connection with the Common
to the trading price and market price thereof upon which First Trust Advisors and the
ll, from time to time, agree, including after-market services designed to maintain the
Fund in the market. The incremental additional amounts paid as service fees
aily assets of the Fund attributable to the common shares initially offered by the Fund
4.461% of the offering price of such common shares. CUSTODIAN,
ATOR AND TRANSFER AGENT The custodian of the assets of the Fund is PFPC
 ("Custodian"), 8800 Tinicum Boulevard, Philadelphia, Pennsylvania 19153. The
, shareholder services and dividend paying agent is BNY Mellon Investment
Inc., as successor to PNC Global Investment Servicing (U.S.) Inc., 301 Bellevue
nington, Delaware 19809. Pursuant to an Administration and Accounting Services
NY Mellon Investment Servicing (US) Inc., as successor to PNC Global Investment
.) Inc. also provides certain administrative and accounting services to the Fund,
taining the Fund's books of account, records of the Fund's securities transactions, and
ooks and records; acting as liaison with the Fund's independent registered public
n providing such independent registered public accounting firm with various
formation with respect to the Fund; and providing other continuous accounting - 65 -
tive services. As compensation for accounting and administrative services, the Fund
ay BNY Mellon Investment Servicing (US) Inc., as successor to PNC Global
vicing (U.S.) Inc. an annual fee, calculated daily and payable on a monthly basis, of
Fund's first $200 million of average Managed Assets, subject to decrease with respect
und Managed Assets. LEGAL OPINIONS Certain legal matters in connection with
hares will be passed upon for the Fund by Chapman and Cutler LLP, Chicago,
nan and Cutler LLP may rely as to certain matters of Massachusetts law on the
gham McCutchen LLP. If certain legal matters in connection with an offering of
es are passed upon by counsel for the underwriters or sales agent of such offering,
ill be named in a prospectus supplement. - 66 - TABLE OF CONTENTS FOR THE
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RATED BY REFERENCE IN THIS PROSPECTUS. THE FUND HAS NOT
D ANYONE TO PROVIDE YOU WITH DIFFERENT INFORMATION. THE
T MAKING AN OFFER OF THESE SECURITIES IN ANY STATE WHERE THE
T PERMITTED.

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0 SHARES ENERGY INCOME AND GROWTH FUND COMMON SHARES $
-- PROSPECTUS
T -- MORGAN
TI RBC CAPITAL MARKETS OPPENHEIMER & CO. BAIRD July , 2011
OME AND GROWTH FUND STATEMENT OF ADDITIONAL INFORMATION
come and Growth Fund (the "Fund") is a non-diversified closed-end management
npany which commenced operations in June 2004. This Statement of Additional
ates to the offering, on an immediate, continuous or delayed basis, of up to 4,497,650
s of beneficial interest in the Fund in one or more offerings (the "Common Shares").
of Additional Information does not constitute a prospectus, but should be read in
th the Fund's prospectus dated April 1, 2011 (the "Prospectus") and any related
plement. The Fund's currently outstanding common shares are, and the Common
by the Prospectus and any prospectus supplement will be, subject to notice of
on the NYSE Amex under the symbol "FEN." This Statement of Additional
es not include all information that a prospective investor should consider before
mmon Shares. Investors should obtain and read the Fund's Prospectus and any
plement prior to purchasing such shares. A copy of the Fund's Prospectus and any
plement may be obtained without charge by calling (800) 988-5891 or on the
Exchange Commission's web site (http://www.sec.gov). Capitalized terms used but
his Statement of Additional Information have the meanings ascribed to them in the
any prospectus supplement. This Statement of Additional Information is dated April

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................................F-1 APPENDIX A -- Ratings of
................................A-1 APPENDIX B -- Energy Income Partners, LLC Proxy
...........B-1 USE OF PROCEEDS The Fund will invest substantially all of the net
any sales of Common Shares pursuant to the Prospectus and any prospectus
accordance with the Fund's investment objective and policies as stated below, to
ness or for other general corporate purposes. Pending investment in securities that
s investment objective and policies, the net proceeds of this offering will be invested
equivalents. INVESTMENT OBJECTIVE The Fund's investment objective is to
el of after-tax total return with an emphasis on current distributions paid to
For purposes of the Fund's investment objective, total return includes capital
, and all distributions received from, securities in which the Fund invests regardless
acter of the distributions. The Fund seeks to provide its common shareholders with an
e to invest in a portfolio of cash generating securities of energy companies. The Fund
esting in publicly traded master limited partnerships ("MLPs") and related public
energy sector which the Fund's sub-advisor, Energy Income Partners, LLC ("Energy
rs" or the "Sub-Advisor"), believes offer opportunities for income and growth. As
tement of Additional Information, unless the context requires otherwise, MLPs are
ergy sector. Due to the tax treatment under current law of cash distributions made by
investors (such as the Fund), the Fund believes that a portion of its income may be tax
by increasing cash available for distribution by the Fund to its shareholders. There
rance that the Fund's investment objective will be achieved. The Fund's investment
nsidered fundamental and may not be changed without shareholder approval. The
he Fund's investment policies, including its investment strategy, are considered
tal and may be changed by the Board of Trustees without shareholder approval,
hareholders receive at least 60 days prior written notice of any change. The Fund
e its investment objective by investing primarily in securities of MLPs and
ntities in the energy sector that the Sub-Advisor believes offer attractive distribution
al appreciation potential. The Fund also may invest in other securities set forth below
isor expects to achieve the Fund's objective with such investments. - 1 -
T RESTRICTIONS The Fund has adopted the following non-fundamental policies: o
market conditions, the Fund invests at least 85% of its Managed Assets (including

through leverage) in securities of energy companies, energy sector MLPs and
ntities. o Under normal market conditions, the Fund invests at least 65% and up to
naged Assets in equity securities of MLPs and MLP-related entities. MLP and
ntity equity securities currently consist of common units, subordinated units and
'und also may invest in equity securities of MLP-related entities, such as general
er affiliates of MLPs. o The Fund may invest up to 35% of its Managed Assets in
otherwise restricted securities (including up to 10% of its Managed Assets in
d by private companies). The types of unregistered or otherwise restricted securities
nay purchase consist of MLP common units, MLP subordinated units and securities
rivate energy companies. o The Fund may invest up to 25% of its Managed Assets in
of energy companies, MLPs and MLP-related entities, including below investment
s, which are commonly referred to as "junk bonds." Below investment grade debt
be rated at least B3 by Moody's and at least B- by Standard & Poor's Ratings Group
time of purchase, or comparably rated by another nationally recognized statistical
tion ("NRSRO") or, if unrated, determined to be of comparable quality by the
The Fund will not invest more than 10% of its Managed Assets in any single issuer.
l not engage in short sales, except to the extent the Fund engages in derivative
seek to hedge against interest rate risk in connection with the Fund's use of Financial
arket risks associated with the Fund's portfolio. o The Fund may invest up to 15% of
ssets in non-U.S. securities as well as hedge the currency risk of the non-U.S.
derivative instruments. To generate additional income, the Fund writes (or sells)
tions on the common stock of energy companies held in the Fund's portfolio. - 2 -
ribed below, the Fund, as a fundamental policy, may not, without the approval of the
jority of its outstanding common shares and Preferred Shares, if any, voting together
s, and of the holders of the outstanding Preferred Shares voting as a single class: (1)
curities, as defined in the 1940 Act, other than (i) preferred shares which immediately
will have asset coverage of at least 200%, (ii) indebtedness which immediately after
ave asset coverage of at least 300%, or (iii) the borrowings permitted by investment
et forth below; (2) Borrow money, except as permitted by the 1940 Act; For a further
he limitations imposed on borrowing by the 1940 Act, please see the section entitled
ial Leverage" in the Fund's Prospectus; (3) Act as underwriter of another issuer's
pt to the extent that the Fund may be deemed to be an underwriter within the
Securities Act of 1933, as amended ("Securities Act"), in connection with the
ale of portfolio securities; (4) Purchase or sell real estate, but this shall not prevent the
esting in securities of companies that deal in real estate or are engaged in the real
, including real estate investment trusts, and securities secured by real estate or
n and the Fund may hold and sell real estate or mortgages on real estate acquired
, liquidation, or other distributions of an interest in real estate as a result of the Fund's
uch securities; (5) Purchase or sell physical commodities unless acquired as a result
f securities or other instruments (but this shall not prevent the Fund from purchasing
ns, futures contracts, derivative instruments or from investing in securities or other
cked by physical commodities); or (6) Make loans of funds or other assets, other than
o repurchase agreements, lending portfolio securities and through the purchase of
cordance with its investment objective, policies and limitations. The foregoing
vestment policies, together with the investment objective of the Fund, cannot be
ut approval by holders of a majority of the outstanding voting securities of the Fund,
e 1940 Act, which includes common shares and Preferred Shares, if any, voting
ngle class, and of the holders of the outstanding Preferred Shares voting as a single
e 1940 Act a "majority of the outstanding voting securities" means the vote of: (1)
f the Fund's shares present at a meeting, if the holders of more than 50% of the Fund's
ent or represented by proxy; or (2) more than 50% of the Fund's shares, whichever is

ESTMENT POLICIES AND TECHNIQUES The following information supplements
of the Fund's investment objective, policies and techniques that are described in the
tus. Temporary Investments and Defensive Position. During the period where the net
s offering of Common Shares, the issuance of Preferred Shares, if any, commercial
and/or Borrowings are being invested or during periods in which the Sub-Advisor
it is temporarily unable to follow the Fund's investment strategy or that it is
do so, the Fund may deviate from its investment strategy and invest all or any portion
in cash, cash equivalents or other securities. The Sub-Advisor's determination that it
unable to follow the Fund's investment strategy or that it is impracticable to do so
occur only in situations in which a market disruption event has occurred and where
ecurities selected through application of the Fund's investment strategy is extremely
nt. In such a case, the Fund may not pursue or achieve its investment objective. Cash
alents are defined to include, without limitation, the following: (1) U.S. government
uding bills, notes and bonds differing as to maturity and rates of interest that are either
nteed by the U.S. Treasury or by U.S. government agencies or instrumentalities. U.S.
ency securities include securities issued by: (a) the Federal Housing Administration,
Administration, Export-Import Bank of the United States, Small Business
, and the Government National Mortgage Association, whose securities are supported
and credit of the United States; (b) the Federal Home Loan Banks, Federal
redit Banks, and the Tennessee Valley Authority, whose securities are supported by
agency to borrow from the U.S. Treasury; (c) the Federal National Mortgage
d (d) the Student Loan Marketing Association, whose securities are supported only
hile the U.S. government provides financial support to such U.S.
onsored agencies or instrumentalities, no assurance can be given that it always will
not so obligated by law. The U.S. government, its agencies, and instrumentalities do
he market value of their securities. Consequently, the value of such securities may
ertificates of deposit issued against funds deposited in a bank or a savings and loan
ch certificates are for a definite period of time, earn a specified rate of return, and are
iable. The issuer of a certificate of deposit agrees to pay the amount deposited plus
bearer of the certificate on the date specified thereon. Under current Federal Deposit
oration ("FDIC") regulations, the maximum insurance payable as to any one
eposit is $250,000, therefore, certificates of deposit purchased by the Fund may not
d. - 4 - (3) Repurchase agreements, which involve purchases of debt securities. At the
purchases securities pursuant to a repurchase agreement, it simultaneously agrees to
iver such securities to the seller, who also simultaneously agrees to buy back the
ixed price and time. This assures a predetermined yield for the Fund during its
since the resale price is always greater than the purchase price and reflects an
arket rate. Such actions afford an opportunity for the Fund to invest temporarily
Pursuant to the Fund's policies and procedures, the Fund may enter into repurchase
y with respect to obligations of the U.S. government, its agencies or
es; certificates of deposit; or bankers' acceptances in which the Fund may invest.
reements may be considered loans to the seller, collateralized by the underlying
risk to the Fund is limited to the ability of the seller to pay the agreed-upon sum on
date; in the event of default, the repurchase agreement provides that the Fund is
the underlying collateral. If the seller defaults under a repurchase agreement when the
derlying collateral is less than the repurchase price, the Fund could incur a loss of
and interest. The Sub-Advisor monitors the value of the collateral at the time the
d into and at all times during the term of the repurchase agreement. The Sub-Advisor
ffort to determine that the value of the collateral always equals or exceeds the
purchase price to be paid to the Fund. If the seller were to be subject to a federal
ceeding, the ability of the Fund to liquidate the collateral could be delayed or

se of certain provisions of the bankruptcy laws. (4) Commercial paper, which
rt-term unsecured promissory notes, including variable rate master demand notes
orations to finance their current operations. Master demand notes are direct lending
etween the Fund and a corporation. There is no secondary market for such notes.
are redeemable by the Fund at any time. The Sub-Advisor will consider the financial
e corporation (e.g., earning power, cash flow, and other liquidity measures) and will
onitor the corporation's ability to meet all its financial obligations, because the
might be impaired if the corporation were unable to pay principal and interest on
tments in commercial paper will be limited to commercial paper rated in the highest
nationally recognized statistical rating organization ("NRSRO") and which mature
of the date of purchase or carry a variable or floating rate of interest. (5) The Fund
ankers' acceptances which are short-term credit instruments used to finance
nsactions. Generally, an acceptance is a time draft drawn on a bank by an exporter or
btain a stated amount of funds to pay for specific merchandise. The draft is then
bank that, in effect, unconditionally guarantees to pay the face value of the
ts maturity date. The acceptance may then be held by the accepting bank as an asset
ld in the secondary market at the going rate of interest for a specific maturity. (6) The
st in bank time deposits, which are monies kept on deposit with banks or savings and
ns for a stated period of time at a fixed rate of interest. There may be penalties for the
drawal of such time deposits, in which case the yields of these investments will be
e Fund may invest in shares of money market funds in accordance with the
e 1940 Act. ADDITIONAL INFORMATION ABOUT THE FUND'S
TS AND INVESTMENT RISKS ENERGY COMPANIES For purposes of the Fund's
ting 85% of its Managed Assets (including assets obtained through leverage) in
ergy companies, energy sector MLPs and MLP-related entities, an energy company
ves its revenues from transporting, processing, storing, distributing or marketing
ural gas liquids ("NGLs"), crude oil, refined petroleum products, coal or electricity,
eveloping, managing or producing such commodities or products, or in supplying
products and services. Energy sector MLPs are limited partnerships that derive at
eir income from energy operations. The business of energy sector MLPs is affected
demand for energy commodities because most MLPs derive revenue and income
volume of the underlying commodity transported, processed, distributed, and/or
ifically, MLPs that provide natural gas services and coal MLPs may be directly
rgy commodity prices. Propane MLPs own the underlying energy commodity, and
direct exposure to energy commodity prices, although the Sub-Advisor seeks high
hat are able to mitigate or manage direct margin exposure to commodity prices. The
general could be hurt by market perception that MLPs' performance and valuation are
commodity prices. Some energy companies operate as "public utilities" or "local
mpanies," and therefore are subject to rate regulation by state or federal utility
However, energy companies may be subject to greater competitive factors than utility
luding competitive pricing in the absence of regulated tariff rates, which could cause
evenue and which could adversely affect profitability. Most Midstream MLPs with
are subject to government regulation concerning the construction, pricing and
pelines. In many cases, the rates and tariffs charged by these pipelines are monitored
Energy Regulatory Commission ("FERC") or various state regulatory agencies.
n which the Fund invests generally can be classified as Midstream MLPs, Propane
l MLPs. Midstream MLP natural gas services include treating, gathering,
rocessing, transmission and storage of natural gas and the transportation,
nd storage of NGLs (primarily propane, ethane, butane and natural gasoline).
P crude oil services include gathering, transportation, storage and terminalling of
tream MLP refined petroleum product services include the transportation (usually via

barges, rail cars and trucks), storage and terminalling of refined petroleum products
line, diesel fuel and jet fuel) and other hydrocarbon by-products. Midstream MLPs
te ancillary businesses, including the marketing of the products and logistical
ne MLP services include the distribution of propane to homeowners for space and
nd to commercial, industrial and agriculture customers. Propane serves
3% of the household energy needs in the United States, largely for homes beyond the
ch of natural gas distribution pipelines. Volumes are weather dependent and a
ual cash flow is earned during the winter heating season (October through March).
ices include the owning, leasing, managing, production and sale of coal and coal
ricity generation is the primary use of coal in the United States. Demand for
supply of alternative fuels to generators are the primary drivers of coal demand.
P-related entities typically achieve distribution growth by internal and external
nd MLP-related entities achieve growth internally by experiencing higher
ume driven by the economy and population, and through the expansion of existing
uding increasing the use of underutilized capacity, pursuing projects that can
ain synergies with existing assets and pursuing so called "greenfield projects."
h is achieved by making accretive acquisitions. MLPs and MLP-related entities are
us federal, state and local environmental laws and health and safety laws as well as
ations specific to their particular activities. Such laws and regulations address: health
dards for the operation of facilities, transportation systems and the handling of
nd water pollution requirements and standards; solid waste disposal requirements;
n requirements; and requirements relating to the handling and disposition of
rials. Energy MLPs and MLP-related entities are directly or indirectly subject to the
ance with such laws applicable to them, and changes in such laws and regulations
affect their results of operations. MLPs and MLP-related entities operating interstate
torage facilities are subject to substantial regulation by the FERC, which regulates
portation rates, services and other matters regarding natural gas pipelines including:
ent of rates for service; regulation of pipeline storage and liquefied natural gas facility
suing certificates of need for companies intending to provide energy services or
d operating interstate pipeline and storage facilities; and certain other matters. FERC
he interstate transportation of crude oil, including: regulation of rates and practices of
npanies; establishing equal service conditions to provide shippers with equal access
sportation; and establishment of reasonable rates for transporting petroleum and
ucts by pipeline. - 7 - Energy sector MLPs and MLP-related entities may be subject
ing to the release of substances into the environment, including liability under
Fund" and similar state laws for investigation and remediation of releases and
ases of hazardous materials, as well as liability for injury and property damage for
ts, such as explosions or discharges of materials causing personal injury and damage
ch potential liabilities could have a material adverse effect upon the financial
esults of operations of energy sector MLPs and MLP-related entities. Energy sector
P-related entities are subject to numerous business related risks, including:
f business fundamentals reducing profitability due to development of alternative
, changing demographics in the markets served, unexpectedly prolonged and
nges in commodity prices and increased competition which takes market share;
wth through acquisitions; disruptions in transportation systems; the dependence of
nd MLP-related entities upon the energy exploration and development activities of
parties; availability of capital for expansion and construction of needed facilities; a
ease in natural gas production due to depressed commodity prices or otherwise; the
Ps and MLP-related entities to successfully integrate recent or future acquisitions;
level of the economy. The energy industry and particular energy companies may be
ted by possible terrorist attacks, such as the attacks that occurred on September 11,

ible that facilities of energy companies, due to the critical nature of their energy
ne United States, could be direct targets of terrorist attacks or be indirectly affected by
rs. They may have to incur significant additional costs in the future to safeguard their
ion, changes in the insurance markets after September 11, 2001 may make certain
nce more difficult to obtain or obtainable only at significant additional cost. To the
n results in a lower level of economic activity, energy consumption could be
ted, which would reduce revenues and impede growth. Terrorist or war related
ne capital markets could also affect the ability of energy companies to raise needed
ER LIMITED PARTNERSHIPS Under normal circumstances the Fund will invest at
s Managed Assets in equity securities of energy sector MLPs and MLP-related
LP is a limited partnership, the interests in which (known as units) are traded on
anges or over-the-counter. Organization as a partnership eliminates tax on MLP
me at the entity level. An MLP has one or more general partners (who may be
rporations, or other partnerships) which manage the partnership, and limited partners,
capital to the partnership but have no role in its management. Typically, the general
ed by company management or another publicly traded sponsoring corporation. When
s units in a MLP, he or she becomes a limited partner. - 8 - MLPs are formed in
A nontraded partnership may decide to go public. Several nontraded partnerships may
ngle MLP. A corporation may spin-off a group of assets or part of its business into a
it is the general partner in order to realize the assets' full value on the marketplace by
ts and using the cash proceeds received from the MLP to address debt obligations or
her growth opportunities, while retaining control of the MLP. A corporation may
a MLP, although since 1986 the tax consequences have made this an unappealing
t corporations. Also, a newly formed company may operate as a MLP from its
sponsor or general partner of an MLP, other energy companies, and utilities may sell
in order to generate cash to fund expansion projects or repay debt. The MLP
tially transfers cash flows generated from these acquired assets directly to MLP
unit holders. In the case of an MLP buying assets from its sponsor or general partner
is intended to be based upon comparable terms in the acquisition market for similar
insure that appropriate protections are in place, the board of the MLP generally
pendent committee to review and approve the terms of the transaction. The
n obtains a fairness opinion and can retain counsel or other experts to assist its
ce both parties normally have a significant equity stake in the MLP, both parties
an incentive to see that the transaction is accretive and fair to the MLP. MLPs tend to
higher distributions than other types of companies and the Fund intends to use these
ons in an effort to meet its investment objective. As a motivation for the general
age the MLP successfully and increase cash flows, the terms of MLPs typically
e general partner receives a larger portion of the net income as distributions reach
vels. As cash flow grows, the general partner receives a greater interest in the
come compared to the interest of limited partners. Although the percentages vary
the general partner's marginal interest in distributions generally increases from 2% to
designated distribution target level moving up to 25% and ultimately 50% as
distribution per unit thresholds are met. Nevertheless, the aggregate amount
mited partners will increase as MLP distributions reach higher target levels. Given
tructure, the general partner has an incentive to streamline operations and undertake
d growth projects in order to increase distributions to all partners. Because the MLP
pay tax on MLP qualifying income, its income or loss is allocated to its investors,
whether the investors receive any cash payment from the MLP. An MLP typically
y cash distributions. Although they resemble corporate dividends, MLP distributions
erently for tax purposes. The MLP distribution is treated as a tax-deferred return of
xtent of the investor's basis in his MLP interest and, to the extent the distribution

vestor's basis in the MLP, capital gain. The investor's original basis is the price paid
he basis is adjusted downwards with each distribution and allocation of deductions
ciation) and losses, and upwards with each allocation of taxable income. - 9 - For a
on and a description of MLP tax matters, see the section entitled "Tax Matters." THE
STMENTS The types of securities in which the Fund may invest include, but are not
following: Equity Securities of MLPs and MLP-Related Entities. Consistent with its
ective, the Fund may invest up to 100% of its Managed Assets in equity securities
y sector MLPs. Equity securities currently consist of common units, subordinated
res (each discussed below). The Fund also may invest in equity securities of
ntities, such as general partners or other affiliates of the MLPs. The Fund also may
% of Managed Assets in equity or debt securities of non-MLPs or energy companies.
quity securities will be affected by changes in the stock markets, which may be the
stic or international political or economic news, changes in interest rates or changing
ent. At times, stock markets can be volatile and stock prices can change
Equity securities risk will affect the Fund's net asset value per share, which will
value of the securities held by the Fund change. Not all stock prices change
the same time, and not all stock markets move in the same direction at the same
tors affect a particular stock's price, such as poor earnings reports by an issuer, loss of
rs, major litigation against an issuer or changes in governmental regulations affecting
lverse news affecting one company can sometimes depress the stock prices of all
he same industry. Not all factors can be predicted. Certain of the energy companies in
l invests and may in the future invest may have comparatively smaller capitalizations.
curities of smaller MLPs, MLP-related entities and energy companies may involve
n is associated with investing in more established MLPs, MLP-related entities and
ies. Smaller capitalization MLPs, MLP-related entities and energy companies may
oduct lines, markets or financial resources; may lack management depth or
d may be more vulnerable to adverse general market or economic developments than
ablished MLPs, MLP-related entities and energy companies. MLP Common Units.
units represent a limited partnership interest in the MLP. Common units are listed
J.S. securities exchanges or over-the-counter with their value fluctuating
based on the success of the MLP. The Fund intends to purchase common units in
tions but may also purchase securities directly from the MLP or other parties in
ents. Unlike owners of common stock of a corporation, owners of common units have
rights and have no ability to annually elect directors. MLPs generally distribute all
flow (cash flow from operations less maintenance capital expenditures) in the form of
ribution. Common unit holders have first priority to receive quarterly cash
o to the MQD and have arrearage rights. In the event of liquidation, common unit
reference over subordinated units, but not debt holders or preferred unit holders, to
ssets of the MLP. - 10 - MLP Subordinated Units. MLP subordinated units typically
ILPs to their original sponsors, such as their founders, corporate general partners of
that sell assets to the MLP, and institutional investors. The Fund may purchase
nits directly from these persons. Subordinated units have similar voting rights as
and are generally not publicly traded. Once the MQD on the common units, including
been paid, subordinated units will receive cash distributions up to the MQD prior to
ayments to the MLP's general partner. Unlike common units, subordinated units do
age rights. In the event of liquidation, common units have priority over subordinated
ated units are typically converted into common units on a one-to-one basis after
riods and/or performance targets have been satisfied. Subordinated units are generally
n the price of the common units, discounted to reflect the timing or likelihood of their
ommon units. MLP I-Shares. I-Shares represent an ownership interest issued by an
of an MLP. The MLP affiliate uses the proceeds from the sale of I-Shares to

d partnership interests in the MLP in the form of I-Units. I-Units have features
' common units in terms of voting rights, liquidation preference and distributions.
r than receiving cash, the MLP affiliate receives additional I-Units in an amount
h distributions received by MLP common units. Similarly, holders of I-Shares will
nal I-Shares, in the same proportion as the MLP affiliate's receipt of I-Units, rather
butions. I-Shares themselves have limited voting rights similar to those applicable to
units. The MLP affiliate issuing the I-Shares is structured as a corporation for federal
poses. As a result, I-Shares holders, such as the Fund, will receive a Form 1099
orm K-1 statement. I-Shares are traded on the New York Stock Exchange. Equity
nergy Companies. The Fund does not intend to invest more than 35% of its Managed
y securities issued by energy companies which are not MLPs. The Fund intends to
equity securities in market transactions but also may purchase securities directly
s in private placements. To generate additional income, the Fund may write (or sell),
tions on the common stock of energy companies held in the Fund's portfolio. Debt
Fund may invest up to 25% of its Managed Assets in debt securities of energy
LPs and MLP-related entities, including securities rated below investment grade. The
in which the Fund may invest may provide for fixed or variable principal payments
bes of interest rate and reset terms, including fixed rate, adjustable rate, zero coupon,
erred, payment-in-kind and auction rate features. Certain debt securities are
hat they have no maturity date. Certain debt securities are zero coupon bonds. A zero
a bond that does not pay interest either for the entire life of the obligations or for an
fter the issuance of the obligation. To the extent that the Fund invests in below
de debt securities, such securities will be rated, at the time of investment, at least B-
3 by Moody's or a comparable rating by at least one other rating agency or, if unrated,
the Sub-Advisor to be of comparable quality. If a security satisfies the Fund's
g criteria at the time of purchase and is subsequently downgraded below such rating,
ot be required to dispose of such security. If a downgrade occurs, the Sub-Advisor
hat action, - 11 - including the sale of such security, is in the best interest of the Fund
lders. In light of the risks of below investment grade securities, the Sub-Advisor, in
creditworthiness of an issue, whether rated or unrated, will take various factors into
which may include, as applicable, the issuer's operating history, financial resources
ity to economic conditions and trends, the market support for the facility financed by
plicable), the perceived ability and integrity of the issuer's management and
ters. Below Investment Grade Debt Securities. The Fund may invest up to 25% of its
s in below investment grade securities. The below investment grade debt securities in
l invests are rated from B3 to Bal by Moody's, from B- to BB+ by S&P's, are
ed by another nationally recognized rating agency or are unrated but determined by
or to be of comparable quality. Investment in below investment grade securities
ntial risk of loss. Below investment grade debt securities or comparable unrated
ommonly referred to as "junk bonds" and are considered predominantly speculative
the issuer's ability to pay interest and principal and are susceptible to default or
ket value due to adverse economic and business developments. The market values for
rities tend to be very volatile, and these securities are less liquid than investment
rities. For these reasons, to the extent the Fund invests in below investment grade
investment in the Fund is subject to the following specific risks: -- increased price
hanging interest rates and to a deteriorating economic environment; -- greater risk of
ult or declining credit quality; -- adverse company specific events are more likely to
er unable to make interest and/or principal payments; and -- if a negative perception
vestment grade debt market develops, the price and liquidity of below investment
rities may be depressed. This negative perception could last for a significant period
se changes in economic conditions are more likely to lead to a weakened capacity of a

ent grade debt issuer to make principal payments and interest payments than an
de issuer. The principal amount of below investment grade securities outstanding has
the past decade as an increasing number of issuers have used below investment grade
orporate financing. An economic downturn could severely affect the ability of highly
rs to service their debt obligations or to repay their obligations upon maturity.
n-turns in profitability in specific industries, such as the energy industry, could
t the ability of below investment grade debt issuers in that industry to meet their
e market values of lower quality debt securities tend to reflect individual
of the issuer to a greater extent than do higher quality securities, which react primarily
in the general level of interest rates. Factors having an adverse impact on the market
- 12 - quality securities may have an adverse effect on the Fund's net asset value and
ue of its common shares. In addition, the Fund may incur additional expenses to the
ired to seek recovery upon a default in payment of principal or interest on its
ngs. In certain circumstances, the Fund may be required to foreclose on an issuer's
possession of its property or operations. In such circumstances, the Fund would incur
s in disposing of such assets and potential liabilities from operating any business
econdary market for below investment grade securities may not be as liquid as the
ket for more highly rated securities, a factor which may have an adverse effect on the
o dispose of a particular security when necessary to meet its liquidity needs. There
rs in the market for below investment grade securities than investment grade
e prices quoted by different dealers may vary significantly and the spread between
ed price is generally much larger than higher quality instruments. Under adverse
omic conditions, the secondary market for below investment grade securities could
r, independent of any specific adverse changes in the conditions of a particular issuer,
uments may become illiquid. As a result, the Fund could find it more difficult to sell
or may be able to sell the securities only at prices lower than if such securities were
Because investors generally perceive that there are greater risks associated with lower
curities of the type in which the Fund may invest a portion of its assets, the yields and
securities may tend to fluctuate more than those for higher rated securities. In the
egments of the debt securities market, changes in perceptions of an issuer's
ss tend to occur more frequently and in a more pronounced manner than do changes
y segments of the debt securities market, resulting in greater yield and price
Fund will not invest in distressed, below investment grade securities (those that are in
ssuers of which are in bankruptcy). If a debt security becomes distressed while held
e Fund may be required to bear certain extraordinary expenses in order to protect and
estments if it is recoverable at all. See Appendix A to this Statement of Additional
r a description of Moody's and S&P's ratings. Restricted Securities. The Fund may
istered or otherwise restricted securities. The term "restricted securities" refers to
are unregistered or are held by control persons of the issuer and securities that are
ractual restrictions on their resale. As a result, restricted securities may be more
ue and the Fund may have difficulty disposing of such assets either in a timely
a reasonable price. Absent an exemption from registration, the Fund will be required
urities until they are registered by the issuer. In order to dispose of an unregistered
und, where it has contractual rights to do so, may have to cause such security to be
onsiderable period may elapse between the time the decision is made to sell the
e time the security is registered so that the Fund could sell it. Contractual restrictions
f securities vary in length and scope - 13 - and are generally the result of a negotiation
uer and acquirer of the securities. The Fund would, in either case, bear market risks
iod. Restricted securities generally can be sold in privately negotiated transactions,
exemption from registration under the Securities Act, or in a registered public
ub-Advisor has the ability to deem restricted securities as liquid. To enable the Fund

ngs of a restricted security not registered for public sale, the Fund may have to cause
to be registered. In situations in which the Fund must arrange registration because
s to sell the security, a considerable period may elapse between the time the decision
the security and the time the security is registered so that the Fund could sell it. The
ar the risks of any downward price fluctuation during that period. In recent years, a
nal market has developed for certain securities that are not registered under the
including private placements, repurchase agreements, commercial paper, foreign
corporate bonds and notes. These instruments are often restricted securities because
re either themselves exempt from registration or sold in transactions not requiring
ch as Rule 144A transactions. Institutional investors generally will not seek to sell
nts to the general public, but instead will often depend on an efficient institutional
h such unregistered securities can be readily resold or on an issuer's ability to honor a
ayment. Therefore, the fact that there are contractual or legal restrictions on resale to
lic or certain institutions is not dispositive of the liquidity of such investments. Rule
Securities Act establishes a "safe harbor" from the registration requirements of the
for resales of certain securities to qualified institutional buyers. Institutional markets
ecurities that exist or may develop as a result of Rule 144A may provide both readily
alues for restricted securities and the ability to liquidate an investment. An
mber of qualified institutional buyers interested in purchasing Rule 144A-eligible
by the Fund, however, could affect adversely the marketability of such portfolio
he Fund might be unable to dispose of such securities promptly or at reasonable
Traded Securities. The Fund also may invest in securities that may not be restricted,
raded. Although common units of MLPs, I-Shares of MLP-related entities and
of certain energy companies trade on the New York Stock Exchange, The Nasdaq
et or other securities exchanges or markets, such securities may trade less than those
anies due to their relatively smaller capitalizations. Such securities may be difficult to
fair price during times when the Fund believes it is desirable to do so. Thinly-traded
are more difficult to value and the Sub-Advisor's judgment as to value will often be
eight than market quotations, if any exist. If market quotations are not available,
ecurities will be valued in accordance with procedures established by the Board.
he Fund's capital in thinly-traded securities may restrict the Fund's ability to take
arket opportunities. The risks associated with thinly-traded securities may be
te in situations in which the Fund's operations require cash and - 14 - could result in
wing to meet its short term needs or incurring losses on the sale of thinly-traded
gin Borrowing. Although it does not currently intend to, the Fund may in the future
rowing of up to 33-1/3% of total Managed Assets for investment purposes when the
elieves it will enhance returns. Margin borrowings by the Fund create certain
. For example, should the securities that are pledged to brokers to secure margin
e in value, or should brokers from which the Fund has borrowed increase their
argin requirements (i.e., reduce the percentage of a position that can be financed),
could be subject to a "margin call," pursuant to which it must either deposit additional
broker or suffer mandatory liquidation of the pledged securities to compensate for the
e. In the event of a precipitous drop in the value of the assets of the Fund, it might not
date assets quickly enough to pay off the margin debt and might suffer mandatory
ositions in a declining market at relatively low prices, thereby incurring substantial
e reasons, the use of borrowings for investment purposes is considered a speculative
ctice. COVERED CALL OPTION TRANSACTIONS Call options are contracts
e right to purchase a common stock at a specified price (the "strike price") at a
e date (the "expiration date"). The price of the option is determined from trading
broad options market, and generally reflects the relationship between the current
r the underlying common stock and the strike price, as well as the time remaining

tion date. The Fund will write call options only if they are "covered." In the case of a
common stock or other security, the option is "covered" if the Fund owns the
ying the call or has an absolute and immediate right to acquire that security without
consideration (or, if additional cash consideration is required, cash or other assets
be liquid by the Sub-Advisor (in accordance with procedures approved by the Board
such amount are segregated by the Fund's custodian) upon conversion or exchange of
held by the Fund. If an option written by the Fund expires unexercised, the Fund
expiration date a capital gain equal to the premium received by the Fund at the time
written. If an option purchased by the Fund expires unexercised, the Fund realizes a
al to the premium paid at the time the option expires. Prior to the earlier of exercise
n exchange-traded option may be closed out by an offsetting purchase or sale of an
me series (type, underlying security, exercise price, and expiration). There can be no
ever, that a closing purchase or sale transaction can be effected when the Fund
nd may sell put or call options it has previously purchased, which could result in a
depending on whether the amount realized on the sale is more or less than the
ther transaction costs paid on the put or call option purchased. See "Tax Matters." -
GIC TRANSACTIONS The Fund may, but is not required to, enter into various
rategic transactions to seek to reduce interest rate risks arising from the use of
rage by the Fund, to facilitate portfolio management and mitigate risks, including
rrency and credit risks. The Fund writes (or sells), covered call options on the
of energy companies held in the Fund's portfolio. Certain of these hedging and
ctions involve derivative instruments. A derivative is a financial instrument whose
derived at least in part from the performance of an underlying index, security or
es of certain derivatives can be affected dramatically by even small market
metimes in ways that are difficult to predict. There are many different types of
h many different uses. The Fund may purchase and sell derivative instruments such
ted and over-the-counter put and call options on currencies, securities, energy-related
quity, fixed income and interest rate indices, and other financial instruments,
ell financial futures contracts and options thereon, enter into various interest rate
ch as swaps, caps, floors, collars or credit transactions and credit default swaps. The
purchase derivative instruments that combine features of these instruments.
l of the above are referred to as "Strategic Transactions." The Fund generally seeks to
ransactions as a portfolio management or hedging technique to seek to protect against
e changes in the market value of securities held in or to be purchased for the Fund's
ct the value of the Fund's portfolio, facilitate the sale of certain securities for
poses, manage the effective interest rate and currency exposure of the Fund,
ffective yield paid on any Financial Leverage issued by the Fund, or establish
derivatives markets as a temporary substitute for purchasing or selling particular
ket conditions will determine whether and in what circumstances the Fund would
the hedging and strategic techniques described below. The Fund will incur brokerage
in connection with its hedging transactions. Options on Securities and Securities
nd may purchase and write (sell) call and put options on any securities and securities
options may be listed on national domestic securities exchanges or foreign securities
raded in the over-the-counter market. The Fund may write covered put and call
rchase put and call options as a substitute for the purchase or sale of securities or to
declines in the value of the portfolio securities and against increases in the cost of
acquired. Writing Covered Options. The Fund writes (or sells), covered call options
stock of energy companies held in the Fund's portfolio. A call option on securities
Fund obligates the Fund to sell specified securities to the holder of the option at a
if the option is exercised at any time before the expiration date. A put option on
en by the Fund obligates the Fund to purchase specified securities from the option

cified price if the option is exercised at any time before the expiration date. Options
dices are similar to options on securities, except that the exercise of securities index
s cash settlement payments and does not involve the actual purchase or sale of
ddition, securities index options are designed to reflect price fluctuations in a group of
gment of the securities market rather than price fluctuations in a single security.
d call options may - 16 - deprive the Fund of the opportunity to profit from an
market price of the securities in its portfolio. Writing covered put options may
nd of the opportunity to profit from a decrease in the market price of the securities to
its portfolio. All call and put options written by the Fund are covered. A written call
ption may be covered by (1) maintaining cash or liquid securities in a segregated
value at least equal to the Fund's obligation under the option, (2) entering into an
ard commitment and/or (3) purchasing an offsetting option or any other option which,
exercise price or otherwise, reduces the Fund's net exposure on its written option
tten call option on securities is typically covered by maintaining the securities that
he option in a segregated account. The Fund may cover call options on a securities
g securities whose price changes are expected to be similar to those of the underlying
d may terminate its obligations under an exchange traded call or put option by
option identical to the one it has written. Obligations under over-the-counter options
ted only by entering into an offsetting transaction with the counterparty to such
urchases are referred to as "closing purchase transactions." Purchasing Options. The
rmally purchase call options in anticipation of an increase, or put options in
a decrease ("protective puts"), in the market value of securities of the type in which it
e Fund may also sell call and put options to close out its purchased options. The
all option would entitle the Fund, in return for the premium paid, to purchase
ities or currency at a specified price during the option period. The Fund would
ze a gain on the purchase of a call option if, during the option period, the value of
or currency exceeded the sum of the exercise price, the premium paid and transaction
e the Fund would realize either no gain or a loss on the purchase of the call option.
f a put option would entitle the Fund, in exchange for the premium paid, to sell
ities at a specified price during the option period. The purchase of protective puts is
set or hedge against a decline in the market value of the Fund's portfolio securities.
y also be purchased by the Fund for the purpose of affirmatively benefiting from a
price of securities which it does not own. The Fund would ordinarily realize a gain if,
on period, the value of the underlying securities decreased below the exercise price
cover the premium and transaction costs; otherwise the Fund would realize either no
n the purchase of the put option. Gains and losses on the purchase of put options may
untervailing changes in the value of the Fund's portfolio securities. The Fund's
tions will be subject to limitations established by each of the exchanges, boards of
rading facilities on which such options are traded. These limitations govern the
ber of options in each class which may be written or purchased by a single investor
estors acting in concert, regardless of whether the options are written or - 17 -
he same or different exchanges, boards of trade or other trading facilities or are held
he or more accounts or through one or more brokers. Thus, the number of options
l may write or purchase may be affected by options written or purchased by other
isory clients of the Sub-Advisor. An exchange, board of trade or other trading facility
iquidation of positions found to be in excess of these limits, and it may impose
nctions. Risks Associated with Options Transactions. There is no assurance that a
y market on a domestic or foreign options exchange will exist for any particular
d option or at any particular time. If the Fund is unable to effect a closing purchase
h respect to covered options it has written, the Fund will not be able to sell the
urities or dispose of assets held in a segregated account until the options expire or are

larly, if the Fund is unable to effect a closing sale transaction with respect to options
d, it would have to exercise the options in order to realize any profit and will incur
ts upon the purchase or sale of underlying securities or currencies. Reasons for the
quid secondary market on an exchange include the following: (1) there may be
ding interest in certain options; (2) restrictions may be imposed by an exchange on
ctions or closing transactions or both; (3) trading halts, suspensions or other
y be imposed with respect to particular classes or series of options; (4) unusual or
cumstances may interrupt normal operations on an exchange; (5) the facilities of an
e Options Clearing Corporation may not at all times be adequate to handle current
; or (6) one or more exchanges could, for economic or other reasons, decide or be
ome future date to discontinue the trading of options (or a particular class or series of
ding were discontinued, the secondary market on that exchange (or in that class or
ns) would cease to exist. However, outstanding options on that exchange that had
the Options Clearing Corporation as a result of trades on that exchange would
exercisable in accordance with their terms. The Fund's ability to terminate
er options is more limited than with exchange-traded options and may involve the
-dealers participating in such transactions will not fulfill their obligations. The
ill determine the liquidity of each over-the-counter option in accordance with
pted by the Board of Trustees. The writing and purchase of options is a highly
vity which involves investment techniques and risks different from those associated
portfolio securities transactions. The successful use of options depends in part on the
ability to predict future price fluctuations and, for hedging transactions, the degree of
ween the options and securities or currency markets. Futures Contracts and Options
tracts. The Fund may purchase and sell futures contracts based on various securities
overnment securities) and securities indices, and any other financial instruments and
chase and write call and put options on these futures contracts. - 18 - The Fund may
closing purchase and sale transactions with respect to any of these contracts and
ures contracts entered into by the Fund are traded on U.S. or foreign exchanges or
that are licensed, regulated or approved by the Commodity Futures Trading
CFTC"). Futures Contracts. A futures contract may generally be described as an
ween two parties to buy and sell particular financial instruments or currencies for an
ring a designated month (or to deliver the final cash settlement price, in the case of a
g to an index or otherwise not calling for physical delivery at the end of trading in the
ions taken in the futures markets are not normally held to maturity but are instead
ugh offsetting transactions which may result in a profit or a loss. While futures
curities will usually be liquidated in this manner, the Fund may instead make, or take,
underlying securities or currency whenever it appears economically advantageous to
ng corporation associated with the exchange on which futures contracts are traded
, if still open, the sale or purchase will be performed on the settlement date. The Fund
ple, take a "short" position in the futures market by selling futures contracts in an
ge against an anticipated decline in market prices that would adversely affect the
nd's portfolio securities. Such futures contracts may include contracts for the future
urities held by the Fund or securities with characteristics similar to those of the
o securities. Hedging and Other Strategies. Hedging is an attempt to establish with
than would otherwise be possible the effective price or rate of return on portfolio
curities that the Fund proposes to acquire or the exchange rate of currencies in which
curities are quoted or denominated. When securities prices are falling, the Fund can
decline in the value of its current portfolio securities through the sale of futures
n securities prices are rising, the Fund, through the purchase of futures contracts, can
re better rates or prices than might later be available in the market when it effects
chases. If, in the opinion of the Sub-Advisor, there is a sufficient degree of

ween price trends for the Fund's portfolio securities and futures contracts based on
instruments, securities indices or other indices, the Fund may also enter into such
ts as part of its hedging strategy. Although under some circumstances prices of
e Fund's portfolio may be more or less volatile than prices of such futures contracts,
or will attempt to estimate the extent of this volatility difference based on historical
mpensate for any differential by having the Fund enter into a greater or lesser number
racts or by attempting to achieve only a partial hedge against price changes affecting
folio securities. When a short hedging position is successful, any depreciation in the
lio securities will be substantially offset by appreciation in the value of the futures
e other hand, any unanticipated appreciation in the value of the Fund's portfolio
d be substantially offset by - 19 - a decline in the value of the futures position. On
, the Fund may take a "long" position by purchasing futures contracts. Options on
cts. The purchase of put and call options on futures contracts will give the Fund the
ne obligation) for a specified price to sell or to purchase, respectively, the underlying
t at any time during the option period. As the purchaser of an option on a futures
und obtains the benefit of the futures position if prices move in a favorable direction
sk of loss in the event of an unfavorable price movement to the loss of the premium
costs. The writing of a call option on a futures contract generates a premium which
ffset a decline in the value of the Fund's assets. By writing a call option, the Fund
ated, in exchange for the premium (upon exercise of the option) to sell a futures
option is exercised, which may have a value higher than the exercise price.
e writing of a put option on a futures contract generates a premium which may
an increase in the price of securities that the Fund intends to purchase. However, the
obligated (upon exercise of the option) to purchase a futures contract if the option is
ch may have a value lower than the exercise price. The loss incurred by the Fund in
on futures is potentially unlimited and may exceed the amount of the premium
holder or writer of an option on a futures contract may terminate its position by selling
an offsetting option of the same series. There is no guarantee that such closing
n be effected. The Fund's ability to establish and close out positions on such options
to the development and maintenance of a liquid market. Other Considerations. The
ge in futures and related options transactions either for bona fide hedging or for other
rmitted by the CFTC. These purposes may include using futures and options on
bstitute for the purchase or sale of securities to increase or reduce exposure to
kets. To the extent that the Fund is using futures and related options for hedging
es contracts will be sold to protect against a decline in the price of securities that the
futures contracts will be purchased to protect the Fund against an increase in the price
intends to purchase. The Fund will determine that the price fluctuations in the futures
ptions on futures used for hedging purposes are substantially related to price
securities held by the Fund or securities or instruments which it expects to purchase.
its hedging intent, the Fund expects that on occasions on which it takes a long
on position (involving the purchase of futures contracts), the Fund generally will have
will be in the process of purchasing, equivalent amounts of related securities in the
the time when the futures or option position is closed out. However, in particular
s economically advantageous for the Fund to do so, a long futures position may be
n option may expire without the corresponding purchase of securities or other assets.
futures contracts and options on futures involve brokerage costs, require margin
n the case of contracts and options obligating the Fund to purchase securities, require
ablish a - 20 - segregated account consisting of cash or liquid securities in an amount
derlying value of such contracts and options. While transactions in futures contracts
futures may reduce certain risks, these transactions themselves entail certain other
ple, unanticipated changes in interest rates or securities prices may result in a poorer

nance for the Fund than if it had not entered into any futures contracts or options
erfect correlation between the Fund's futures positions and portfolio positions will be
chieve. In the event of an imperfect correlation between a futures position and a
on which is intended to be protected, the desired protection may not be obtained and
be exposed to risk of loss. Some futures contracts or options on futures may become
dverse market conditions. In addition, during periods of market volatility, a
change may suspend or limit trading in a futures contract or related option, which may
ment temporarily illiquid and difficult to price. Commodity exchanges also may
limits on the amount that the price of a futures contract or related option can vary
ous day's settlement price. Once the daily limit is reached, no trades may be made that
eyond the limit. This may prevent the Fund from closing out positions and limiting
ency Exchange Transactions. The Fund may enter into currency exchange
hedge the Fund's exposure to foreign currency exchange rate risk to the extent the
non-U.S. denominated securities of non-U.S. issuers. The Fund's currency
ll be limited to portfolio hedging involving portfolio positions. Portfolio hedging is
ward contract with respect to a portfolio security position denominated or quoted in a
ency. A forward contract is an agreement to purchase or sell a specified currency at a
e date (or within a specified time period) and price set at the time of the contract.
cts are usually entered into with banks, foreign exchange dealers or broker-dealers,
ge-traded, and are usually for less than one year, but may be renewed. At the maturity
ntract to deliver a particular currency, the Fund may either sell the portfolio security
contract and make delivery of the currency, or it may retain the security and either
rency on the spot market or terminate its contractual obligation to deliver the
rchasing an offsetting contract with the same currency trader obligating it to purchase
aturity date the same amount of the currency. It is impossible to forecast with absolute
arket value of portfolio securities at the expiration of a forward contract.
may be necessary for the Fund to purchase additional currency on the spot market
xpense of such purchase) if the market value of the security is less than the amount of
he Fund is obligated to deliver and if a decision is made to sell the security and make
currency. Conversely, it may be necessary to sell on the spot market some of the
ved upon the sale of the portfolio security if its market value exceeds the amount of
und is obligated to deliver. - 21 - If the Fund retains the portfolio security and engages
transaction, the Fund will incur a gain or a loss to the extent that there has been
orward contract prices. If the Fund engages in an offsetting transaction, it may
nter into a new forward contract to sell the currency. Should forward prices decline
od between the Fund s entering into a forward contract for the sale of a currency and
rs into an offsetting contract for the purchase of the currency, the Fund will realize a
ent the price of the currency it has agreed to sell exceeds the price of the currency it
urchase. Should forward prices increase, the Fund will suffer a loss to the extent the
rency it has agreed to purchase exceeds the price of the currency it has agreed to sell.
e contract would deprive the Fund of unrealized profits or force the Fund to cover its
or purchase or sale of currency, if any, at the current market price. Hedging against a
value of a currency does not eliminate fluctuations in the prices of portfolio securities
es if the prices of such securities decline. Such transactions also preclude the
gain if the value of the hedged currency should rise. Moreover, it may not be
e Fund to hedge against a devaluation that is so generally anticipated that the Fund is
tract to sell the currency at a price above the devaluation level it anticipates. The cost
engaging in currency exchange transactions varies with such factors as the currency
ength of the contract period, and prevailing market conditions. Since currency
actions are usually conducted on a principal basis, no fees or commissions are
y Swaps and Interest Rate or Commodity Swaps, Collars, Caps and Floors. In order

lue of the Fund's portfolio against fluctuations in the market value of equity
est rates or commodity prices or to enhance the Fund's income, the Fund may, but is
enter into equity swaps and various interest rate or commodity transactions such as
commodity swaps and the purchase or sale of interest rate or commodity caps and
xtent that the Fund enters into these transactions, the Fund expects to do so primarily
turn or spread on a particular investment or portion of its portfolio, to protect against
the price of securities the Fund anticipates purchasing at a later date, to protect
ing commodity prices or to manage the Fund's interest rate exposure on any debt
iding the Notes, or preferred shares issued by the Fund for leverage purposes. The
use these transactions primarily as a hedge. However, the Fund also may invest in
rest rate or commodity swaps to enhance income or to increase the Fund's yield, for
g periods of steep interest rate yield curves (i.e., wide differences between short-term
nterest rates). The Fund is not required to hedge its portfolio and may choose not to
d cannot guarantee that any hedging strategies it uses will work. In an equity swap,
exchanged by the Fund and the counterparty are based on the total return on some
dex and an interest rate (either a fixed rate or a floating rate). In an interest rate swap,
nges with another party their respective commitments to pay or receive interest (e.g.,
fixed rate payments for floating rate payments). For example, if the Fund holds a
t with an interest rate that is reset only once each year, it may swap the right to
at this fixed rate for the right to receive interest at a rate that is reset every week.
ble the Fund to offset a decline in the value of - 22 - the debt instrument due to rising
ut would also limit its ability to benefit from falling interest rates. Conversely, if the
ebt instrument with an interest rate that is reset every week and it would like to lock
ves to be a high interest rate for one year, it may swap the right to receive interest at
eekly rate for the right to receive interest at a rate that is fixed for one year. Such a
otect the Fund from a reduction in yield due to falling interest rates and may permit
nance its income through the positive differential between one week and one year
ut would preclude it from taking full advantage of rising interest rates. The Fund
er into equity and interest rate or commodity swaps on a net basis (i.e., the two
s are netted out with the Fund receiving or paying, as the case may be, only the net
wo payments). The net amount of the excess, if any, of the Fund's obligations over its
th respect to each swap contract will be accrued on a daily basis, and an amount of
nstruments having an aggregate net asset value at least equal to the accrued excess
ned in a segregated account by the Fund's custodian. If the swap transaction is
other than a net basis, the full amount of the Fund's obligations will be accrued on a
l the full amount of the Fund's obligations will be maintained in a segregated account
ustodian. The Fund also may engage in interest rate or commodity transactions in the
sing or selling interest rate or commodity caps or floors. The Fund will not sell
commodity caps or floors that it does not own. The purchase of an interest rate or
entitles the purchaser, to the extent that a specified index exceeds a predetermined
commodity price, to receive payments equal to the difference of the index and the
rate on a notional principal amount (i.e., the reference amount with respect to which
ions are determined although no actual exchange of principal occurs) from the party
erest rate or commodity cap. The purchase of an interest rate or commodity floor
chaser, to the extent that a specified index falls below a predetermined interest rate or
ce, to receive payments at the difference of the index and the predetermined rate on a
pal amount from the party selling such interest rate or commodity floor. Typically,
which the Fund will enter into equity and interest rate or commodity transactions
dealers and other financial institutions. The Fund will not enter into any equity swap,
commodity swap, cap or floor transaction unless the unsecured senior debt or the
ability of the other party thereto is rated investment grade quality by at least one

time of entering into such transaction or whose creditworthiness is believed by the
be equivalent to such rating. If there is a default by the other party to such a
Fund will have contractual remedies pursuant to the agreements related to the
e swap market has grown substantially in recent years with a large number of banks
banking firms acting both as principals and as agents utilizing standardized swap
. As a result, the swap market has become relatively liquid in comparison with other
ents traded in the interbank market. Caps and floors, however, are less liquid than
federal income tax requirements may limit the Fund's ability to engage in interest
3 - Credit Default Swap Agreements. The Fund may enter into credit default swap
he "buyer" in a credit default contract is obligated to pay the "seller" a periodic stream
er the term of the contract provided that no event of default on an underlying
ation has occurred. If an event of default occurs, the seller must pay the buyer the
ll notional value) of the reference obligation in exchange for the reference obligation.
be either the buyer or seller in the transaction. If the Fund is a buyer and no event of
the Fund loses its investment and recovers nothing. However, if an event of default
er receives full notional value for a reference obligation that may have little or no
er, the Fund receives a fixed rate of income throughout the term of the contract,
is between six months and three years, provided that there is no default event. If an
t occurs, the seller must pay the buyer the full notional value of the reference
dit default swaps involve greater risks than if the Fund had invested in the reference
ctly. In addition to general market risks, credit default swaps are subject to illiquidity
rty risk and credit risks. The Fund will enter into swap agreements only with
who are rated investment grade quality by at least one NRSRO at the time of entering
action or whose creditworthiness is believed by the Sub-Advisor to be equivalent to
buyer also will lose its investment and recover nothing should no event of default
ent of default were to occur, the value of the reference obligation received by the
with the periodic payments previously received, may be less than the full notional
the buyer, resulting in a loss of value to the Fund. When the Fund acts as a seller of
swap agreement it is exposed to the risks of leverage since if an event of default
er must pay the buyer the full notional value of the reference obligation. If the Fund
edit default swap, the Fund may be required to report the swap as a "reportable
r tax shelter reporting purposes on the Fund's federal income tax return. If the Internal
ce (the "IRS") were to determine that the credit default swap is a tax shelter, the Fund
t to penalties under the Internal Revenue Code of 1986, as amended (the "Code").
in the future employ new or additional investment strategies and hedging instruments
es and instruments are consistent with the Fund's investment objective and are
der applicable regulations governing the Fund. OVER-THE-COUNTER MARKET
d may invest in over-the-counter securities. In contrast to the securities exchanges,
unter market is not a centralized facility that limits trading activity to securities of
ch initially satisfy certain defined standards. Generally, the volume of trading in an
r-the-counter security is less than the volume of trading in a listed security. This
depth of market liquidity of some securities in which the Fund invests may not be as
other securities and, if the Fund were to dispose of such a security, it might have to
ties at a discount from recent prices, or sell the securities in small lots over an
d of time. - 24 - LEGISLATION RISK At any time after the date of this Statement of
ormation, legislation may be enacted that could negatively affect the assets of the
uers of such assets. Changing approaches to regulation may have a negative impact
hich the Fund invests. There can be no assurance that future legislation, regulation or
ill not have a material adverse effect on the Fund or will not impair the ability of the
ssets held in the Fund to achieve their business goals, and hence, for the Fund to
estment objective. OTHER INVESTMENT POLICIES AND TECHNIQUES

RATEGIES General Description of Hedging Strategies. As more fully described
d may use derivatives or other transactions for the purpose of hedging the Fund's
increase in the price of a security prior to its anticipated purchase or a decrease in the
rity prior to its anticipated sale, to seek to reduce interest rate risks arising from the
rage by the Fund and to mitigate risks. The specific derivative instruments to be used,
ctions to be entered into, for such hedging purposes may include options on common
y-related commodities, equity, fixed income and interest rate indices, futures
inafter referred to as "Futures" or "Futures Contracts"), swap agreements and related
edging or derivative instruments on securities generally are used to hedge against
ts in one or more particular securities positions that the Fund owns or intends to
nstruments may also be used to "lock-in" recognized but unrealized gains in the value
urities. Hedging strategies, if successful, can reduce the risk of loss by wholly or
ting the negative effect of unfavorable price movements in the investments being
ver, hedging strategies also can reduce the opportunity for gain by offsetting the
of favorable price movements in the hedged investments. The use of hedging
subject to applicable regulations of the Securities and Exchange Commission (the
), the several options and futures exchanges upon which they are traded, the CFTC
te regulatory authorities. In addition, the Fund's ability to use hedging instruments
by tax considerations. General Limitations on Futures and Options Transactions. The
a notice of eligibility for exclusion from the definition of the term "commodity pool
the CFTC and the National Futures Association, which regulate trading in the futures
ant to Section 4.5 of the regulations under the Commodity Exchange Act (the
nd is not subject to regulation as a commodity pool under the CEA. Various
regulatory authorities have undertaken reviews of options and futures trading in light
ility. Among the possible actions that have been presented are proposals to adopt
ringent daily price fluctuation limits for Futures and options transactions and - 25 -
crease the margin requirements for various types of futures transactions. Asset
utures and Options Positions. The Fund will comply with the regulatory requirements
sion and the CFTC with respect to coverage of options and futures positions by
stment companies and, if the guidelines so require, will set aside cash, U.S.
curities, high grade liquid debt securities and/or other liquid assets permitted by the
d CFTC in a segregated custodial account in the amount prescribed. Securities held
account cannot be sold while the futures or options position is outstanding, unless
ther permissible assets, and will be marked-to-market daily. Options. As an
dge, the Fund may purchase put and call options on stock or other securities. A put
es the right of its purchaser to compel the writer of the option to purchase from the
n underlying security or its equivalent at a specified price at any time during the
In contrast, a call option gives the purchaser the right to buy the underlying security
option or its equivalent from the writer of the option at the stated exercise price. As a
option, the Fund will have the right to sell the securities underlying the option and as
call option, the Fund will have the right to purchase the securities underlying the
case at their exercise price at any time prior to the option's expiration date. The Fund
minate its option positions prior to their expiration by entering into closing
he ability of the Fund to enter into a closing sale transaction depends on the existence
ndary market. There can be no assurance that a closing purchase or sale transaction
when the Fund so desires. Certain Considerations Regarding Options. The hours of
ons may not conform to the hours during which the underlying securities are traded.
hat the options markets close before the markets for the underlying securities,
e and rate movements can take place in the underlying markets that cannot be
options markets. The purchase of options is a highly specialized activity which
ment techniques and risks different from those associated with ordinary portfolio

actions. The purchase of options involves the risk that the premium and transaction
he Fund in purchasing an option will be lost as a result of unanticipated movements in
curities on which the option is based. Imperfect correlation between the options and
ets may detract from the effectiveness of attempted hedging. Options transactions
gnificantly higher transaction costs and portfolio turnover for the Fund. Some, but
erivative instruments may be traded and listed on an exchange. There is no assurance
condary market on an options exchange will exist for any particular option, or at any
and for some options no secondary market on an exchange or elsewhere may exist.
nable to effect a closing sale transaction with respect to options on securities that it
it would have to exercise the - 26 - option in order to realize any profit and would
on costs upon the purchase and sale of the underlying securities. Futures Contracts.
enter into securities-related Futures Contracts, including security futures contracts as
hedge. The Fund's hedging may include sales of Futures as an offset against the
ted declines in securities prices and purchases of Futures as an offset against the
ted increases in securities prices. The Fund will not enter into Futures Contracts
ibited under the CEA and will, to the extent required by regulatory authorities, enter
es Contracts that are traded on exchanges and are standardized as to maturity date
financial instrument. A security futures contract is a legally binding agreement
arties to purchase or sell in the future a specific quantity of shares of a security or of
securities of a narrow-based security index, at a certain price. A person who buys a
s Contract enters into a contract to purchase an underlying security and is said to be
ract. A person who sells a security futures contact enters into a contract to sell the
urity and is said to be "short" the contract. The price at which the contract trades (the
") is determined by relative buying and selling interest on a regulated exchange.
sts are incurred when a Futures Contract is bought or sold and margin deposits must
In order to enter into a Futures Contract, the Fund must deposit funds with its
e name of the futures commodities merchant equal to a specified percentage of the
value of the contract as a performance bond. Moreover, all security futures contracts
market at least daily, usually after the close of trading. At that time, the account of
seller reflects the amount of any gain or loss on the security futures contract based
price established at the end of the day for settlement purposes. An open position,
short position, is closed or liquidated by entering into an offsetting transaction (i.e.,
pposite transaction to the one that opened the position) prior to the contract
ditionally, most Futures Contracts are liquidated prior to expiration through an
action and, thus, holders do not incur a settlement obligation. If the offsetting
is less than the original sale price, a gain will be realized. Conversely, if the
price is more than the original purchase price, a gain will be realized; if it is less, a
lized. The transaction costs must also be included in these calculations. There can be
owever, that the Fund will be able to enter into an offsetting transaction with respect
Futures Contract at a particular time. If the Fund is not able to enter into an offsetting
Fund will continue to be required to maintain the margin deposits on the Futures
he Fund may not be able to realize a gain in the value of its future position or prevent
unting. This inability to liquidate could occur, for example, if trading is halted due to
activity in either the security futures contract or the underlying security; if trading is
ecent news events involving the issuer of the underlying security; if systems failures
change or at the firm carrying the position; or, if the position is on an illiquid market.
d can liquidate its position, it may be forced to do so at a price that involves a large
er certain market conditions, it may also be difficult or impossible to manage the risk
rity futures positions by entering into an equivalent but opposite position in another
, on another market, or in the underlying security. This inability to take positions to
uld occur, for example, if trading is halted across markets due to unusual trading

ecurity futures contract or the underlying security or due to recent news events
ssuer of the underlying security. There can be no assurance that a liquid market will
when the Fund seeks to close out a Futures Contract position. The Fund would
required to meet margin requirements until the position is closed, possibly resulting
the Fund's NAV. In addition, many of the contracts discussed above are relatively
ts without a significant trading history. As a result, there can be no assurance that an
ry market will develop or continue to exist. Security futures contracts that are not
r to expiration must be settled in accordance with the terms of the contract. Some
s contracts are settled by physical delivery of the underlying security. At the
security futures contract that is settled through physical delivery, a person who is
ct must pay the final settlement price set by the regulated exchange or the clearing
nd take delivery of the underlying shares. Conversely, a person who is short the
make delivery of the underlying shares in exchange for the final settlement price.
n physical delivery may involve additional costs. Other security futures contracts are
cash settlement. In this case, the underlying security is not delivered. Instead, any
ch security futures contracts that are open at the end of the last trading day are settled
cash payment based on a final settlement price determined by the exchange or
zation. Once this payment is made, neither party has any further obligations on the
ted above, margin is the amount of funds that must be deposited by the Fund in order
es trading and to maintain the Fund's open positions in Futures Contracts. A margin
ded to ensure the Fund's performance of the Futures Contract. The margin required
Futures Contract is set by the exchange on which the Futures Contract is traded and
cantly modified from time to time by the exchange during the term of the Futures
price of an open futures contract changes (by increase in the case of a sale or by
case of a purchase) so that the loss on the futures contract reaches a point at which
deposit does not satisfy margin requirements, the broker will require an increase in
wever, if the value of a position increases because of favorable price changes in the
t so that the margin deposit exceeds the required margin, the broker will pay the
espective Fund. In computing daily NAV, the Fund will mark to market the current
en futures contract. The Fund expects to earn interest income on its margin deposits. -
f the low margin deposits required, Futures Contracts trading involves an extremely
leverage. As a result, a relatively small price movement in a Futures Contract may
diate and substantial loss, as well as gain, to the investor. For example, if at the time
)% of the value of the Futures Contract is deposited as margin, a subsequent 10%
value of the Futures Contract would result in a total loss of the margin deposit,
uction for the transaction costs, if the account were then closed out. A 15% decrease
a loss equal to 150% of the original margin deposit, if the Futures Contracts were
s, a purchase or sale of a Futures Contract may result in losses in excess of the
y invested in the Futures Contract. However, the Fund would presumably have
parable losses if, instead of the Futures Contract, it had invested in the underlying
ment and sold it after the decline. In addition to the foregoing, imperfect correlation
tures Contracts and the underlying securities may prevent the Fund from achieving
dge or expose the Fund to risk of loss. Under certain market conditions, the prices of
s contracts may not maintain their customary or anticipated relationships to the prices
ng security or index. These pricing disparities could occur, for example, when the
security futures contract is illiquid, when the primary market for the underlying
ed, or when the reporting of transactions in the underlying security has been delayed.
value of a position in Futures Contracts could be affected if trading is halted in
rity futures contract or the underlying security. In certain circumstances, regulated
required by law to halt trading in security futures contracts. For example, trading on a
rity futures contract must be halted if trading is halted on the listed market for the

urity as a result of pending news, regulatory concerns, or market volatility. Similarly, curity futures contract on a narrow-based security index must be halted under such as where trading is halted on securities accounting for at least 50% of the market f the index. In addition, regulated exchanges are required to halt trading in all s contracts for a specified period of time when the Dow Jones Industrial Average riences one-day declines of 10%, 20% and 30%. The regulated exchanges may also under their rules to halt trading in other circumstances - such as when the exchange the halt would be advisable in maintaining a fair and orderly market. A trading halt, ulated exchange that trades security futures or an exchange trading the underlying rument, could prevent the Fund from liquidating a position in security futures mely manner, which could expose the Fund to a loss. Each regulated exchange ty futures contract may also open and close for trading at different times than other anges trading security futures contracts or markets trading the underlying security or ling in security futures contracts prior to the opening or after the close of the primary underlying security may be less liquid than trading during regular market hours. - 29 - ial Considerations Concerning Derivatives. In addition to the foregoing, the use of uments involves certain general risks and considerations as described below. (1) Market risk is the risk that the value of the underlying assets may go up or down. ments in the value of an underlying asset can expose the Fund to losses. Market risk is k associated with derivative transactions. Derivative instruments may include erage and, accordingly, fluctuations in the value of the derivative instrument in underlying asset may be magnified. The successful use of derivative instruments a variety of factors, particularly the Sub-Advisor's ability to predict correctly changes hips of such hedge instruments to the Fund's portfolio holdings, and there can be no Sub-Advisor's judgment in this respect will be accurate. Consequently, the use of hedging purposes might result in a poorer overall performance for the Fund, whether for risk, than if the Fund had not hedged its portfolio holdings. (2) Credit Risk. he risk that a loss is sustained as a result of the failure of a counterparty to comply of a derivative instrument. The counterparty risk for exchange-traded derivatives is han for privately-negotiated or over-the-counter derivatives, since generally a y, which is the issuer or counterparty to each exchange-traded instrument, provides a erformance. For privately-negotiated instruments, there is no similar clearing agency ll transactions, the Fund will bear the risk that the counterparty will default, and this a loss of the expected benefit of the derivative transactions and possibly other losses he Fund will enter into transactions in derivative instruments only with counterparties dvisor reasonably believes are capable of performing under the contract. (3) sk. Correlation risk is the risk that there might be an imperfect correlation, or even no ween price movements of a derivative instrument and price movements of ing hedged. When a derivative transaction is used to completely hedge another es in the market value of the combined position (the derivative instrument plus the hedged) result from an imperfect correlation between the price movements of the two ith a perfect hedge, the value of the combined position remains unchanged with any rice of the underlying asset. With an imperfect hedge, the value of the derivative its hedge are not perfectly correlated. For example, if the value of a derivative d in a short hedge (such as buying a put option or selling a futures contract) increased e decline in value of the hedged investments, the hedge would not be perfectly s might occur due to factors unrelated to the value of the investments being hedged, ative or other pressures on the markets in which these instruments are traded. In und's success in using hedging instruments is subject to the Sub-Advisor's ability to ct changes in relationships of such hedge instruments to the Fund's portfolio holdings, e no assurance that the Sub-Advisor's judgment in this respect will be accurate. An

elation may prevent the - 30 - Fund from achieving the intended hedge or expose the
of loss. (4) Liquidity Risk. Liquidity risk is the risk that a derivative instrument
closed out, or replaced quickly at or very close to its fundamental value. Generally,
racts are liquid because the exchange clearinghouse is the counterparty of every
transactions are less liquid than exchange-traded derivatives since they often can only
with the other party to the transaction. The Fund might be required by applicable
irements to maintain assets as "cover," maintain segregated accounts and/or make
ts when it takes positions in derivative instruments involving obligations to third
struments other than purchase options). If the Fund is unable to close out its positions
ents, it might be required to continue to maintain such accounts or make such
the position expires, matures, or is closed out. These requirements might impair the
o sell a security or make an investment at a time when it would otherwise be
so, or require that the Fund sell a portfolio security at a disadvantageous time. The
o sell or close out a position in an instrument prior to expiration or maturity depends
nce of a liquid secondary market or, in the absence of such a market, the ability and
he counterparty to enter into a transaction closing out the position. Due to liquidity
o assurance that any derivatives position can be sold or closed out at a time and price
e to the Fund. (5) Legal Risk. Legal risk is the risk of loss caused by the
y of a party's obligations under the derivative. While a party seeking price certainty
nder the potential upside in exchange for downside protection, the party taking the
for a positive payoff. Despite this voluntary assumption of risk, a counterparty that
in a derivative transaction may try to avoid payment by exploiting various legal
bout certain derivative products. (6) Systemic or "Interconnection" Risk. Systemic or
n risk is the risk that a disruption in the financial markets will cause difficulties for all
ants. In other words, a disruption in one market will spill over into other markets,
g a chain reaction. Much of the OTC derivatives market takes place among the OTC
lves, thus creating a large interconnected web of financial obligations. This
ness raises the possibility that a default by one large dealer could create losses for
nd destabilize the entire market for OTC derivative instruments. SWAP
TS For hedging purposes, the Fund may enter into swap agreements. A swap is a
ment that typically involves the exchange of cash flows between two parties on
(settlement dates), where the cash flows are based on agreed-upon prices, rates,
e nominal amount on which the cash flows are calculated is called the notional
are individually negotiated and structured to include exposure to a variety of - 31 -
of investments or market factors, such as interest rates, commodity prices, non-U.S.
mortgage securities, corporate borrowing rates, security prices, indexes or inflation
reements may increase or decrease the overall volatility of the investments of the
are price. The performance of swap agreements may be affected by a change in the
t rate, currency, or other factors that determine the amounts of payments due to and
If a swap agreement calls for payments by the Fund, the Fund must be prepared to
ments when due. In addition, if the counterparty's creditworthiness declines, the value
ement would be likely to decline, potentially resulting in losses. Generally, swap
ve fixed maturity dates that are agreed upon by the parties to the swap. The agreement
ted before the maturity date only under limited circumstances, such as default by one
r insolvency, among others, and can be transferred by a party only with the prior
t of the other party. The Fund may be able to eliminate its exposure under a swap
er by assignment or by other disposition, or by entering into an offsetting swap
n the same party or a similarly creditworthy party. If the counterparty is unable to
tions under the contract, declares bankruptcy, defaults or becomes insolvent, the Fund
e to recover the money it expected to receive under the contract. A swap agreement
of leverage, which can magnify the Fund's gains or losses. In order to reduce the risk

leveraging, the Fund may cover its current obligations under swap agreements
idelines established by the Commission. If the Fund enters into a swap agreement on
vill be required to segregate assets with a daily value at least equal to the excess, if
d's accrued obligations under the swap agreement over the accrued amount the Fund
ceive under the agreement. If the Fund enters into a swap agreement on other than a
l be required to segregate assets with a value equal to the full amount of the Fund's
tions under the agreement. Equity Swaps. In a typical equity swap, one party agrees
party the return on a security, security index or basket of securities in return for a
est rate. By entering into an equity index swap, for example, the index receiver can
o securities making up the index of securities without actually purchasing those
ty index swaps involve not only the risk associated with investment in the securities
he index, but also the risk that the performance of such securities, including
not exceed the interest that the Fund will be committed to pay under the swap.
D AND DELAYED DELIVERY TRANSACTIONS The Fund may buy and sell
when-issued or delayed delivery basis, making payment or taking delivery at a later
within 15-45 days of the trade date. On such transactions, the payment obligation and
are fixed at the time the buyer enters into the commitment. Beginning on the date
into a commitment to purchase securities on a when-issued or delayed delivery
is required under rules of - 32 - the Commission to maintain in a separate account
onsisting of cash, cash equivalents or liquid securities having a market value at all
t equal to the amount of the commitment. Income generated by any such assets which
income for U.S. federal income tax purposes is includable in the taxable income of
Fund may enter into contracts to purchase securities on a forward basis (i.e., where
occur more than 60 days from the date of the transaction) only to the extent that the
ly collateralizes such obligations with a security that is expected to be called or
sixty days before or after the settlement date of the forward transaction. The
purchase securities on a when-issued, delayed delivery or forward basis may involve
isk because at the time of delivery the market value may be less than cost.
E AGREEMENTS As temporary investments, the Fund may invest in repurchase
repurchase agreement is a contractual agreement whereby the seller of securities
chase the same security at a specified price on a future date agreed upon by the
reed-upon repurchase price determines the yield during the Fund's holding period.
reements are considered to be loans collateralized by the underlying security that is
he repurchase contract. Income generated from transactions in repurchase agreements
The Fund will only enter into repurchase agreements with registered securities
estic banks that, in the opinion of the Sub-Advisor, present minimal credit risk. The
l is limited to the ability of the issuer to pay the agreed-upon repurchase price on the
however, although the value of the underlying collateral at the time the transaction is
ways equals or exceeds the agreed-upon repurchase price, if the value of the collateral
s a risk of loss of both principal and interest. In the event of default, the collateral
it the Fund may incur a loss if the value of the collateral declines, and may incur
ts or experience delays in connection with liquidating the collateral. In addition, if
ceedings are commenced with respect to the seller of the security, realization upon
y the Fund may be delayed or limited. The Sub-Advisor will monitor the value of the
time the transaction is entered into and at all times subsequent during the term of the
eement in an effort to determine that such value always equals or exceeds the
purchase price. In the event the value of the collateral declines below the repurchase
will demand additional collateral from the issuer to increase the value of the
least that of the repurchase price, including interest. LENDING OF PORTFOLIO
Although it is not the Fund's current intention, the Fund may lend its portfolio
oker-dealers and banks. Any such loan must be continuously secured by collateral in

uivalents maintained on a current basis in an amount at least equal to the market
curities loaned by the Fund. The Fund would continue to receive the equivalent of the
dends paid by the issuer on the securities loaned, and would also receive an additional
be in the form of a fixed fee or a percentage of the collateral. The Fund may pay
for services in arranging these loans. The Fund would have the right to call the loan
securities loaned at any time on notice of not more than five business days. - 33 - The
t have the right to vote the securities during the existence of the loan but would call
mit voting of the securities, if, in the Sub-Advisor's judgment, a material event
reholder vote would otherwise occur before the loan was repaid. In the event of
other default of the borrower, the Fund could experience both delays in liquidating
ral or recovering the loaned securities and losses, including (a) possible decline in the
llateral or in the value of the securities loaned during the period while the Fund seeks
ghts thereto, (b) possible subnormal levels of income and lack of access to income
od, and (c) expenses of enforcing its rights. PORTFOLIO TRADING AND
RATE Portfolio trading will be undertaken as determined by the Fund's Sub-Advisor.
mits on the rate of portfolio turnover. For the fiscal year ended November 30, 2009,
folio turnover rate was approximately 43%. A higher portfolio turnover rate results in
y greater brokerage commissions and other transactional expenses that are borne by
portfolio turnover may also result in the Fund's recognition of gains that will be
nary income to the Fund. A high portfolio turnover may increase the Fund's current
ed earnings and profits, resulting in a greater portion of the Fund's distributions being
idend to the Fund's common shareholders. See "Tax Matters" in the Fund's
in this Statement of Additional Information. MANAGEMENT OF THE FUND
ND OFFICERS The following is a list of the Trustees and officers of the Fund and a
eir present positions and principal occupations during the past five years, the number
ch Trustee oversees and the other directorships they hold, if applicable. The Board of
ded into three classes: Class I, Class II and Class III. In connection with the
the Fund, each Trustee has been elected for one initial term, the length of which
class, as more fully described below. Subsequently, the Trustees in each class will be
for a term expiring at the third succeeding annual shareholder meeting subsequent to
t an annual meeting, in each case until their respective successors are duly elected
s described below. The officers of the Fund serve indefinite terms. Each Trustee,
es A. Bowen, is an Independent Trustee. Mr. Bowen is deemed an "interested person"
defined in the 1940 Act) ("Interested Trustee") of the Funds due to his position as
rst Trust Advisors L.P., investment advisor to the Funds. - 34 - NUMBER OF TERM
ORTFOLIOS IN OTHER POSITION AND AND YEAR FIRST FUND COMPLEX
HIPS NAME, ADDRESS AND OFFICES ELECTED OR PRINCIPAL
NS OVERSEEN BY HELD BY DATE OF BIRTH WITH FUND APPOINTED(2)
T 5 YEARS TRUSTEE TRUSTEE Trustee who is an Interested Person of the Fund
-------- James A. Bowen(1) President, o Class III Chief Executive Officer 67
tee of 120 East Liberty Drive Chairman of the (December 2010 to Present), Wheaton
d, Chief President (prior to and College Wheaton, IL 60187 Executive o 2004
mber 2005 to D.O.B.: 09/55 Officer and December 2010), First Trust Trustee
nd First Trust Portfolios L.P.; Chairman of the Board of Directors, BondWave LLC
elopment Company/ Investment Advisor) and Stonebridge Advisors LLC (Investment
ees who are not Interested Persons of the Fund ------------------------- Richard E.
ee o Class II Physician; President, 67 Portfolios None c/o First Trust Advisors
pedics; L.P. Co-owner and Co-Director 120 East Liberty Drive o 2004 (January
007), Suite 400 Sports Med Center for Wheaton, IL 60187 Fitness; Limited Partner,
Gundersen Real Estate Limited Partnership; Member, Sportsmed LLC Thomas R.
o Class II President (March 2010 to 67 Portfolios Director of c/o First Trust

nt), Senior Vice ADM Investor L.P. o 2004 President and Chief Services, 120 East Financial Officer (May 2007 Inc. and Suite 400 to March 2010), Vice ADM Investor 0187 President and Chief Services D.O.B.: 11/57 Financial Officer (1990 to May 2007), ADM Investor Services, Inc. (Futures Commission Merchant) Robert F. o Class I President (2003 to Present), 67 Portfolios None c/o First Trust Advisors es (Financial L.P. o 2006 and Management Consulting) 120 East Liberty Drive Suite IL 60187 D.O.B.: 11/56 Niel B. Nielson Trustee o Class III President (2002 67 ctor of c/o First Trust Advisors to Present), Covenant Covenant L.P. o 2004 College 120 East Liberty Drive Suite 400 Wheaton, IL 60187 D.O.B.: 03/54 Officers of the ----------------- Mark R. Bradley Treasurer, Chief o Indefinite Chief Financial Officer 20 East Liberty Drive Financial term Chief Operating Officer Suite 400 Officer and 0 to Present), Wheaton, IL 60187 Chief Accounting First Trust Advisors L.P. Officer o 2004 and First Trust Portfolios L.P.; Chief Financial Officer, BondWave Development Company/Investment Advisor) and Stonebridge Advisors LLC dvisor) - 35 - NUMBER OF TERM OF OFFICE PORTFOLIOS IN OTHER S ND AND YEAR FIRST FUND COMPLEX DIRECTORSHIP NAME, ADDRESS S ELECTED OR PRINCIPAL OCCUPATIONS OVERSEEN BY HELD BY DATE TH FUND APPOINTED(2) DURING PAST 5 YEARS TRUSTEE TRUSTEE Erin ssistant o Indefinite Assistant General Counsel N/A N/A 120 East Liberty Drive, (October 2007 to Present), Suite 400 Associate Counsel (March Wheaton, IL 60187 October 2007), D.O.B.: 08/76 First Trust Portfolios L.P. and First Trust Advisors Attorney (November 2003 to March 2006) Doyle & Bolotin, Ltd. James M. Dykas efinite Senior Vice President N/A N/A 120 East Liberty Drive Treasurer term (April t), Suite 400 Vice President (January Wheaton, IL 60187 o 2005 2005 to April 2007), 1/66 Trust Advisors L.P. and First Trust Portfolios L.P. Christopher R. Fallow o Indefinite Assistant Vice President N/A N/A 120 East Liberty Drive President term o Present), Suite 400 Associate (January 2005 to Wheaton, IL 60187 o 2006 August ust D.O.B.: 04/79 Advisors L.P. and First Trust Portfolios L.P. W. Scott Jardine efinite General Counsel, First N/A N/A 120 East Liberty Drive term Trust Portfolios First Trust Advisors L.P. Wheaton, IL 60187 o 2004 and BondWave LLC D.O.B.: e Development Company/Investment Advisor) Secretary, Stonebridge Advisors LLC dvisor) Daniel J. Lindquist Vice President o Indefinite Senior Vice President N/A Liberty Drive term (September 2005 to Suite 400 Present), Vice President Wheaton, 05 (April 2004 to September D.O.B: 02/70 2005), First Trust Advisors L.P. and First s L.P. Coleen D. Lynch Assistant Vice o Indefinite Assistant Vice President N/A N/A ty Drive President term (January 2008 to Suite 400 Present), First Trust Wheaton, IL Advisors L.P. and First DOB: 07/58 Trust Portfolios L.P.; Vice President (May 1998 8), Van Kampen Asset Management and Morgan Stanley Investment Management r Assistant o Indefinite Deputy General Counsel (May N/A N/A 120 East Liberty y and term 2007 to Present), Assistant Suite 400 Chief Compliance General Counsel Wheaton, IL 60187 Officer o 2004 to May 2007), First Trust D.O.B.: 12/66 Advisors Trust Portfolios L.P. ____________________ (1) Mr. Bowen is deemed an son" of the Fund due to his position of Chief Executive Officer of First Trust stment Advisor of the Fund. (2) Currently, Robert F. Keith, as a Class I Trustee, is stee until the Fund's 2011 annual meeting of shareholders. Richard E. Erickson and dlec, as Class II Trustees, are each serving as trustees until the Fund's 2012 annual reholders. James A. Bowen and Niel B. Nielson, as Class III Trustees, are each ees until the Fund's 2013 annual meeting. Officers of the Fund have an indefinite NITARY BOARD LEADERSHIP STRUCTURE Each Trustee serves as a trustee of nd closed-end funds in the First Trust Fund Complex (as defined below), which is nitary" board leadership structure. Each Trustee currently serves as a trustee of the

st Series Fund and First Defined Portfolio Fund, LLC, open-end funds with two and
, respectively, advised by First Trust Advisors; First Trust Senior Floating Rate
I, Macquarie/First Trust Global Infrastructure/Utilities Dividend & Income Fund,
and Growth Fund, First Trust Enhanced Equity Income Fund, First Trust/Aberdeen
unity Income Fund, First Trust/FIDAC Mortgage Income Fund, First Trust Strategic
und, First Trust Strategic High Income Fund II, First Trust Strategic High Income
Trust/Aberdeen Emerging Opportunity Fund, First Trust Specialty Finance and
rtunities Fund, First Trust Active Dividend Income Fund and First Trust High
hort Fund, closed-end funds advised by First Trust Advisors; and First Trust
ed Fund, First Trust Exchange-Traded Fund II and First Trust Exchange-Traded
Fund, exchange-traded funds with 44 portfolios advised by First Trust Advisors
rust Fund" and collectively, the "First Trust Fund Complex"). None of the Trustees
terested persons" of the Fund, nor any of their immediate family members, has ever
, officer or employee of, or consultant to, First Trust Advisors, First Trust Portfolios
filiates. In addition, Mr. Bowen and the other officers of the Fund (other than
llow) hold the same positions with the other funds in the First Trust Fund Complex as
the Fund. Mr. Fallow, Assistant Vice President of the Fund, serves in the same
of the closed-end funds in the First Trust Fund Complex. The same five persons
es on the Fund's Board of Trustees and on the boards of all other First Trust Funds.
ard structure was adopted for the First Trust Funds because of the efficiencies it
espect to the governance and oversight of the First Trust Funds. Each First Trust
to the rules and regulations of the 1940 Act (and other applicable securities laws),
hat many of the First Trust Funds face similar issues with respect to certain of their
tivities, including risk management, portfolio liquidity, portfolio valuation and
ting. In addition, all of the First Trust closed-end funds are managed by the Advisor
mmon service providers for custody, fund accounting, administration and transfer
ovide substantially similar services to these closed-end funds pursuant to substantially
tual arrangements. Because of the similar and often overlapping issues facing the
ds, including the Fund, the Board of the First Trust Funds believes that maintaining a
tructure promotes efficiency and consistency in the governance and oversight of all
ds and reduces the costs, administrative burdens and possible conflicts that may
ing multiple boards. In adopting a unitary board structure, the Trustees seek to
ve governance through establishing a board, the overall composition of which will, as
ses the appropriate skills, diversity, independence and experience to oversee the
s. Annually, the Board of Trustees will review its governance structure and the
ctures, their performance and functions and reviews any processes that would
governance over the Fund's business. The Board of Trustees has determined that its
cture, including the - 37 - unitary board and committee structure, is appropriate based
ristics of the funds it serves and the characteristics of the First Trust Fund Complex
e Fund's Board of Trustees is composed of four Independent Trustees and one
tee. The Interested Trustee, James A. Bowen, serves as both the Chief Executive
h First Trust Fund and the Chairman of each Board in the First Trust Fund Complex.
amline communication between the Advisor and the Independent Trustees and create
cies, the Board of Trustees has a Lead Independent Trustee who is responsible for: (i)
ctivities of the Independent Trustees; (ii) working with the Advisor, Fund counsel and
t legal counsel to the Independent Trustees to determine the agenda for Board
serving as the principal contact for and facilitating communication between the
rustees and the Fund's service providers, particularly the Advisor; and (iv) any other
Independent Trustees may delegate to the Lead Independent Trustee. The Lead
rustee is selected by the Independent Trustees and serves a two-year term (through
2011) or until his successor is selected. Niel B. Nielson currently serves as the Lead

rustee. The Board of Trustees has established four standing committees (as described
delegated certain of its responsibilities to those committees. The Board of Trustees
tees meet frequently throughout the year to oversee the Fund's activities, review
angements with and performance of service providers, oversee compliance with
irements, and review Fund performance. The Independent Trustees are represented
legal counsel at all Board and committee meetings. Generally, the Board of Trustees
y vote of all the Trustees, including a majority vote of the Independent Trustees if
plicable law. The three committee chairs and the Lead Independent Trustee rotate
s in serving as chair of the Audit Committee, the Nominating and Governance
he Valuation Committee, or as Lead Independent Trustee. The Lead Independent
rves on the Executive Committee with the Interested Trustee. The four standing
the First Trust Fund Complex are: the Executive Committee (and Pricing and
mittee), the Nominating and Governance Committee, the Valuation Committee and
mittee. The Executive Committee, which meets between Board meetings, is
xercise all powers of and to act in the place of the Board of Trustees to the extent
e Fund's Declaration of Trust and By-Laws. The members of the Executive
serve as a special committee of the Board of Trustees known as the Pricing and
mittee, which is authorized to exercise all of the powers and authority of the Board of
pect of the issuance and sale, through an underwritten public offering, of the Shares
d all other such matters relating to such financing, including determining the price at
ares are to be sold, approval of the final terms of the underwriting agreement, and
members of the underwriting syndicate. Such Committee is also responsible for the
setting of dividends. Mr. Nielson and Mr. Bowen are members of the Executive
8 - The Nominating and Governance Committee is responsible for appointing and
n-interested persons to the Fund's Board of Trustees. Messrs. Erickson, Kadlec, Keith
e members of the Nominating and Governance Committee. If there is no vacancy on
rustees, the Board will not actively seek recommendations from other parties,
holders. The Committee will not consider new trustee candidates who are 72 years of
will turn 72 years old during the initial term. The Board of Trustees has also adopted
tirement age of 72. When a vacancy on the Board of Trustees of a First Trust Fund
ninations are sought to fill such vacancy, the Nominating and Governance Committee
nations from those sources it deems appropriate in its discretion, including
f the applicable First Trust Fund. To submit a recommendation for nomination as a
position on the Board of Trustees, shareholders of the applicable Fund shall mail
ndation to W. Scott Jardine, Secretary, at the Fund's address, 120 East Liberty Drive,
eaton, Illinois 60187. Such recommendation shall include the following information:
Fund ownership of the person or entity recommending the candidate (if a Fund
i) a full description of the proposed candidate's background, including their
erience, current employment and date of birth; (iii) names and addresses of at least
nal references for the candidate; (iv) information as to whether the candidate is an
son" in relation to the Fund, as such term is defined in the 1940 Act, and such other
at may be considered to impair the candidate's independence; and (v) any other
at may be helpful to the Committee in evaluating the candidate. If a recommendation
n satisfactorily completed information regarding a candidate during a time when a
on the Board or during such other time as the Nominating and Governance
ccepting recommendations, the recommendation will be forwarded to the Chair of
g and Governance Committee and the counsel to the Independent Trustees.
ons received at any other time will be kept on file until such time as the Nominating
e Committee is accepting recommendations, at which point they may be considered
. The Valuation Committee is responsible for the oversight of the pricing procedures
essrs. Erickson, Kadlec, Keith and Nielson are members of the Valuation Committee.

nmittee is responsible for overseeing the Fund's accounting and financial reporting
stem of internal controls, audit process and evaluating and appointing independent
ct also to Board approval). Messrs. Erickson, Kadlec, Keith and Nielson serve on the
ee. RISK OVERSIGHT As part of the general oversight of the Fund, the Board of
olved in the risk oversight of the Fund. The Board of Trustees has adopted and
views policies and procedures designed to address the Fund's risks. Oversight of
compliance risk, including oversight of the Sub-Advisor, is performed primarily at
in conjunction with the Advisor's investment oversight group and the Fund's Chief
fficer ("CCO"). Oversight of other risks also occurs at the committee level. The
stment oversight group reports to the Board of Trustees at quarterly meetings
ng other things, Fund performance and the - 39 - various drivers of such performance
mation related to the Sub-Advisor and its operations and processes. The Board of
vs reports on the Fund's and the service providers' compliance policies and
ach quarterly Board meeting and receives an annual report from the CCO regarding
of the Fund's and the service providers' compliance programs. In addition, the
rustees meet privately each quarter with the CCO. The Audit Committee reviews with
e Fund's major financial risk exposures and the steps the Advisor has taken to monitor
se exposures, including the Fund's risk assessment and risk management policies and
e Audit Committee also, as appropriate, reviews in a general manner the processes
mmittees have in place with respect to risk assessment and risk management. The
d Governance Committee monitors all matters related to the corporate governance of
Valuation Committee monitors valuation risk and compliance with the Fund's
edures and oversees the pricing agents and actions by the Advisor's Pricing
h respect to the valuation of portfolio securities. BOARD DIVERSIFICATION AND
ALIFICATIONS As described above, the Nominating and Governance Committee
f Trustees oversees matters related to the nomination of Trustees. The Nominating
e Committee seeks to establish an effective Board with an appropriate range of skills
ncluding, as appropriate, differences in background, professional experience,
ations, and other individual characteristics and traits in the aggregate. Each Trustee
ain basic requirements, including relevant skills and experience, time availability, and
an Independent Trustee, independence from the Advisor, Sub-Advisor, underwriters
e providers, including any affiliates of these entities. Listed below for each current
experiences, qualifications and attributes that led to the conclusion, as of the date of
of Additional Information, that each Trustee should serve as a trustee. Richard E.
., is an orthopedic surgeon and President of Wheaton Orthopedics. He also has been a
director of a fitness center and a limited partner of two real estate companies. Dr.
erved as a Trustee of each First Trust Fund since its inception. Dr. Erickson has also
ead Independent Trustee (2008 - 2009), Chairman of the Nominating and
ommittee (2003 - 2007) and Chairman of the Valuation Committee (June 2006 - 2007
) of the First Trust Funds. Thomas R. Kadlec is President of ADM Investor Services
), a futures commission merchant and wholly-owned subsidiary of the Archer
nd Company ("ADM"). Mr. Kadlec has been employed by ADMIS and its affiliates
arious accounting, financial, operations and risk management capacities. Mr. Kadlec
oards of several international affiliates of ADMIS and is a member of ADM's
t Committee, which is tasked with the duty of implementing and communicating
e risk management. Mr. Kadlec has served as a Trustee of each First Trust closed-end
nception. Mr. Kadlec has also served on the Executive Committee since the
f the first First Trust closed-end fund in 2003 until he was elected as the first Lead
rustee in December 2005, serving as - 40 - such through 2007. He also served as
e Valuation Committee (2008 - 2009) and currently serves as Chairman of the Audit
nce 2010) of the First Trust Funds. Robert F. Keith is President of Hibs Enterprises, a

anagement consulting firm. Mr. Keith has been with Hibs Enterprises since 2004.
Ir. Keith spent 18 years with ServiceMaster and Aramark, including three years as
COO of ServiceMaster Consumer Services, where he led the initial expansion of
s overseas, five years as President and COO of ServiceMaster Management Services
as President of Aramark ServiceMaster Management Services. Mr. Keith is a certified
ant and also has held the positions of Treasurer and Chief Financial Officer of
at which time he oversaw the financial aspects of ServiceMaster's expansion of its
ervices division into Europe, the Middle East and Asia. Mr. Keith has served as a
First Trust Funds since June 2006. Mr. Keith has also served as the Chairman of the
ee (2008 - 2009) of the First Trust Funds and currently serves as Chairman of the
d Governance Committee (since 2010) of the First Trust Funds. Niel B. Nielson,
ed as the President of Covenant College since 2002. Mr. Nielson formerly served as a
der (of options and futures contracts for hedging options) for Ritchie Capital Markets
1997), where he held an administrative management position at this proprietary
ling company. He also held prior positions in new business development for
Management Services Company, and in personnel and human resources for
f North Carolina, N.A. and Chicago Research and Trading Group, Ltd. ("CRT"). His
xperience includes serving as a director of CRT Europe, Inc. for two years, directing
all aspects of business conducted by the U.K. and European subsidiary of CRT. Prior
elson was a trader and manager at CRT in Chicago. Mr. Nielson has served as a
First Trust Fund since its inception. Mr. Nielson has also served as the Chairman of
mittee (2003 - 2006), Chairman of the Nominating and Governance Committee (2008
rently serves as Lead Independent Trustee (since 2010) of the First Trust Funds.
en is President and Chief Executive Officer of the First Trust Funds and Chief
cer of First Trust Advisors L.P. and First Trust Portfolios L.P. Mr. Bowen is involved
ay management of the First Trust Funds and serves on the Executive Committee. He
rs of experience in the investment company business in sales, sales management and
gement. Mr. Bowen has served on the Board of Trustees for Wheaton College since
Mr. Bowen has served as a Trustee of each First Trust Fund since its inception. Each
t Trust Fund Complex pays each Trustee who is not an officer or employee of First
, any sub-advisor or any of their affiliates ("Independent Trustees") an annual retainer
trust for the first 14 trusts in the First Trust Fund Complex and an annual retainer of
t for each subsequent trust added to the First Trust Fund Complex. The annual
cated equally among each of the trusts. In addition, for all the trusts in the First Trust
, Mr. Nielson is paid annual compensation of $10,000 to serve as the Lead
rustee, - 41 - Mr. Kadlec is paid annual compensation of $5,000 to serve as the
e Audit Committee, Dr. Erickson is paid annual compensation of $2,500 to serve as
e Valuation Committee and Mr. Keith is paid annual compensation of $2,500 to serve
n of the Nominating and Governance Committee. Each chairman and the Lead
rustee will serve a two year term expiring December 31, 2011 before rotating to serve
of another committee or as Lead Independent Trustee. The annual compensation is
ly among each of the trusts in the First Trust Fund Complex. Trustees are also
the investment companies in the First Trust Fund Complex for travel and
xpenses incurred in connection with all meetings. The following table sets forth
paid by the Fund during the Fund's last fiscal year to each of the Trustees and total
paid to each of the Trustees by the First Trust Fund Complex for a full calendar year.
no retirement or pension plans. The officers and the Trustee who are "interested
signated above serve without any compensation from the Fund. TOTAL
ION AGGREGATE FROM FUND AND NAME OF TRUSTEE COMPENSATION
(1) FUND COMPLEX(2) James A. Bowen $0 $0 Richard E. Erickson $9,816
nas R. Kadlec $9,816 $169,463 Robert F. Keith $9,743 $167,426 Niel B. Nielson

533 ____________________ (1) The compensation paid by the Fund to the Trustees
al year for services to the Fund. (2) The total compensation paid to Messrs. Erickson,
and Nielson, Independent Trustees, from the Fund and the First Trust Fund Complex
dar year is based on estimated compensation to be paid to these Trustees for a full
or services as Trustees to the Fund and the First Defined Portfolio Fund, LLC, an
(with eight portfolios), the First Trust Exchange-Traded Fund, First Trust
led Fund II and the First Trust Exchange-Traded AlphaDEX(R) Fund,
d funds, plus estimated compensation to be paid to these Trustees by the First Trust
g Rate Income Fund II, the Macquarie/First Trust Global Infrastructure/Utilities
come Fund, the First Trust Enhanced Equity Income Fund, the First Trust/Aberdeen
unity Income Fund, the First Trust/FIDAC Mortgage Income Fund, the First Trust
Income Fund, the First Trust Strategic High Income Fund II, First Trust Strategic
und III, the First Trust Tax-Advantaged Preferred Income Fund, the First
n Emerging Opportunity Fund, the First Trust Specialty Finance and Financial
Fund, the First Trust Active Dividend Income Fund and the First Trust High Income
nd. As of December 31, 2010, the Fund had three employees. Its officers are
y First Trust Advisors. Shareholders of the Fund will elect certain Trustees at the next
g of shareholders. The following table sets forth the dollar range of equity securities
wned by the Trustees in the Fund and in other funds overseen by the Trustees in the
d Complex as of December 31, 2010: - 42 - AGGREGATE DOLLAR RANGE OF
URITIES IN DOLLAR RANGE OF ALL REGISTERED INVESTMENT
EQUITY SECURITIES OVERSEEN BY TRUSTEE IN TRUSTEE IN THE FUND
T FUND COMPLEX James A. Bowen None $50,001 - $100,000 Richard E. Erickson
50,001 - $100,000 Thomas R. Kadlec $10,000 - $50,000 Over $100,000 Robert F.
er $100,000 Niel B. Nielson $1 - $10,000 Over $100,000 As of December 31, 2010,
the Fund who are not "interested persons" of the Fund and immediate family
ot own beneficially or of record any class of securities of an investment Advisor or
writer of the Fund or any person directly or indirectly controlling, controlled by, or
control with an investment Advisor or principal underwriter of the Fund. CONTROL
of December 31, 2010, no person owned of record or beneficially more than 5% of
mon shares. INVESTMENT ADVISOR First Trust Advisors L.P., 120 East Liberty
0, Wheaton, Illinois 60187, is the investment Advisor to the Fund. First Trust
s as investment Advisor or portfolio supervisor to investment portfolios with
$46 billion in assets which it managed or supervised as of February 28, 2011. As
visor, First Trust Advisors provides the Fund with professional investment
d management and permits any of its officers or employees to serve without
as Trustees or officers of the Fund if elected to such positions. First Trust Advisors
activities of the Fund's Sub-Advisor and provides the Fund with certain other services
the management of the portfolio. First Trust Advisors is an Illinois limited
med in 1991 and an investment Advisor registered with the Commission under the
visers Act of 1940 (the "Advisers Act"). First Trust Advisors is a limited partnership
d partner, Grace Partners of DuPage L.P. ("Grace Partners"), and one general partner,
orporation. Grace Partners is a limited partnership with one general partner, The
ration, and a number of limited partners. Grace Partners' and The Charger
primary business is investment advisory and broker/dealer services through their
rests. The Charger Corporation is an Illinois corporation controlled by James A.
Executive Officer of the Advisor. First Trust Advisors is controlled by Grace Partners
er Corporation. - 43 - First Trust Advisors is also Advisor or sub-advisor to 20 mutual
ange-traded funds and 13 closed-end funds (including the Fund) and is the portfolio
ertain unit investment trusts sponsored by First Trust Portfolios L.P. First Trust
ializes in the underwriting, trading and distribution of unit investment trusts and other

Trust Portfolios L.P., an Illinois limited partnership formed in 1991, took over the
duct line and acts as sponsor for successive series of The First Trust Combined Series,
nerly known as The First Trust Special Situations Trust), the First Trust Insured
t, The First Trust of Insured Municipal Bonds and The First Trust GNMA. The First
ine commenced with the first insured unit investment trust in 1974 and to date, more
on in gross assets have been deposited in First Trust Portfolios L.P. unit investment
ust Advisors acts as investment Advisor to the Fund pursuant to an Investment
greement. The Investment Management Agreement continues in effect from year to
its continuation is approved at least annually by the Trustees including a majority of
ho are not parties to such agreement or interested persons of any such party except in
s Trustees of the Fund, or the vote of a majority of the outstanding voting securities
may be terminated at any time without the payment of any penalty upon 60 days'
by either party, or by action of the Board or by a majority vote of the outstanding
es of the Fund (accompanied by appropriate notice), and will terminate automatically
nt. The Investment Management Agreement may also be terminated, at any time,
nt of any penalty, by the Board or by vote of a majority of the outstanding voting
e Fund, in the event that it shall have been established by a court of competent
t the Advisor, or any officer or director of the Advisor, has taken any action which
ach of the covenants of the Advisor set forth in the Investment Management
e Investment Management Agreement provides that First Trust Advisors shall not be
oss sustained by reason of the purchase, sale or retention of any security, whether or
ase, sale or retention shall have been based upon the investigation and research made
dividual, firm or corporation, if such recommendation shall have been selected with
good faith, except loss resulting from willful misfeasance, bad faith or gross
he part of the Advisor in performance of its obligations and duties, or by reason of its
ard of its obligations and duties under the Investment Management Agreement.
Investment Management Agreement between the Advisor and the Fund, the Fund
ay for the services and facilities provided by the Advisor an annual management fee,
onthly basis, equal to 1.00% of the Fund's Managed Assets. For purposes of
he management fee, the Fund's "Managed Assets" means the average daily gross
he Fund (which includes assets attributable to the Fund's Preferred Shares, if any, and
nount of borrowings), minus the sum of the Fund's accrued and unpaid dividends on
g Preferred Shares and accrued liabilities (other than the principal amount of any
urred, commercial paper or notes or other forms of indebtedness issued by the Fund
tion preference of any outstanding Preferred Shares). - 44 - In addition to the fee of
e Fund pays all other costs and expenses of its operations, including compensation of
her than the Trustee affiliated with the Advisor), custodian, transfer agent,
accounting and dividend disbursing expenses, legal fees, leverage expenses,
lependent auditors, expenses of repurchasing shares, expenses of preparing, printing
g shareholder reports, notices, proxy statements and reports to governmental agencies,
y. All fees and expenses are accrued daily and deducted before payment of dividends
ursuant to a sub-advisory agreement among the Fund, the Advisor and the
the "Sub-Advisory Agreement"), the Sub-Advisor receives a portfolio management
50% of the Fund's Managed Assets. The Sub-Advisor's fee is paid by the Advisor out
s management fee. Because the fee paid to the Advisor and by the Advisor to the
ill be calculated on the basis of the Fund's Managed Assets, which include the
erage, the dollar amount of the Advisor's and Sub-Advisor's fees will be higher (and
d Sub-Advisor will be benefited to that extent) when leverage is utilized. In this
und uses leverage in the amount equal to 24% of the Fund's Managed Assets (after
the Fund's management fee would be 1.31% of net assets attributable to common
mmary of Fund Expenses" in the Fund's Prospectus. CODE OF ETHICS The Fund,

d the Sub-Advisor have each adopted codes of ethics under Rule 17j-1 under the 1940
es permit personnel subject to the code to invest in securities, including securities
rchased or held by the Fund. These codes can be reviewed and copied at the
Public Reference Room in Washington, D.C. Information on the operation of the
ce Room may be obtained by calling the Commission at (202) 551-8090. The codes
ailable on the EDGAR Database on the Commission's website (http://www.sec.gov),
hese codes may be obtained, after paying a duplicating fee, by electronic request at
-mail address: publicinfo@sec.gov, or by writing the Commission Public Reference
ngton, D.C. 20549-0102. PROXY VOTING PROCEDURES The Fund has adopted a
olicy that seeks to ensure that proxies for securities held by the Fund are voted
d solely in the best economic interests of the Fund. The Board of Trustees is
oversight of the Fund's proxy voting process. The Board has delegated day-to-day
esponsibility to Energy Income Partners. Energy Income Partners' Proxy Voting
rth in Appendix B to the Statement of Additional Information. Information regarding
voted proxies relating to portfolio securities is available: (i) without charge, upon
ing (800) - 45 - 621-1675; (ii) on the Fund's website at http://www.ftportfolios.com;
essing the Commission's website at http://www.sec.gov. SUB-ADVISOR Energy
s serves as the Fund's Sub-Advisor. In this capacity, Energy Income Partners is
the selection and on-going monitoring of the securities in the Fund's investment
gy Income Partners, located at 49 Riverside Avenue, Westport, Connecticut 06880, is
estment Advisor and serves as investment Advisor or portfolio supervisor to
tfolios with approximately $785 million of assets as of February 28, 2011. Energy
s is a Delaware limited liability company and an SEC-registered investment Advisor,
ober 2003 by James J. Murchie to provide professional asset management services in
rgy related master limited partnerships and other high payout securities in the energy
ion to serving as Sub-Advisor to the Fund, Energy Income Partners serves as the
nager to three unregistered investment companies and one private registered
npany for high net worth individuals and institutions. Energy Income Partners mainly
tfolio companies that operate infrastructure assets such as pipelines, storage and
eceive fee-based or regulated income from their customers. Energy Income Partners
staff of seven persons. First Trust Capital Partners, LLC, an affiliate of the Advisor,
ough a wholly-owned subsidiary, a 20% ownership interest in each of the
nd EIP Partners, LLC, a Delaware limited liability company and affiliate of the
ames J. Murchie is the Founder, Chief Executive Officer, co-portfolio manager and a
ergy Income Partners. After founding Energy Income Partners in October 2003, Mr.
e Energy Income Partners investment team joined Pequot Capital Management Inc.
al") in December 2004. In August 2006, Mr. Murchie and the Energy Income
ment team left Pequot Capital and re-established Energy Income. Prior to founding
Partners, Mr. Murchie was a Portfolio Manager at Lawhill Capital Partners, LLC
tal"), a long/short equity hedge fund investing in commodities and equities in the
ic industry sectors. Before Lawhill Capital, Mr. Murchie was a Managing Director at
nent, LLC, where his primary responsibility was managing a portfolio of investments
and related equities. Mr. Murchie was also a Principal at Sanford C. Bernstein. He
r at British Petroleum, PLC. Mr. Murchie holds a BA from Rice University and an
ard University. Eva Pao is a Principal of Energy Income Partners and is co-portfolio
its funds. She has been with Energy Income Partners since inception in 2003. From
06, Ms. Pao joined Pequot Capital Management during Energy Income Partners'
Pequot. Prior to Harvard Business School, Ms. Pao was a Manager at Enron Corp
aged a portfolio in Canadian oil and gas equities for Enron's internal hedge fund that
ed in energy-related equities and managed a natural gas trading book. Ms. Pao holds
ice University and Harvard Business School. Linda Longville is the Research

Principal of Energy Income Partners. Ms. Longville has been with Energy Income
ts inception in 2003, including the time the Energy Income Partners investment team
Capital between December 2004 and July 2006. From April 2001 through
3, she was a research analyst for Lawhill Capital. Prior to Lawhill Capital, Ms.
positions in finance and business development at British Petroleum, PLC and
llite Communications, Inc. She has a BAS from Miami University (Ohio) and an MA
stern Reserve University. Saul Ballesteros is the Head of Trading and a Principal of
Partners. Mr. Ballesteros joined Energy Income Partners in 2006 after six years as a
der at FPL Group and Mirant Corp. From 1994 through 1999, he was with Enron's
fund in various positions of increased responsibility, and, from 1991 through 1994,
was a manager of financial planning at IBM. Mr. Ballesteros holds a BS from Duke
an MBA from Northwestern University.
--- NUMBER OF OTHER
MANAGED AND ASSETS BY ACCOUNT TYPE AS OF DECEMBER 31, 2010
--- REGISTERED INVESTMENT
OTHER POOLED (OTHER THAN THE FUND) INVESTMENT VEHICLES
OUNTS ------------------------- -------------------------- ----------------------- Number: 1
mber: 12 Assets: $97 million Assets: $113 million Assets: $7.6 million
--------- --------------------------- ------------------------ Actual or apparent conflicts of
ise when a portfolio manager has day-to-day management responsibilities with
than one fund or other account. More specifically, portfolio managers who manage
and /or other accounts may be presented with one or more of the potential conflicts
w. The management of multiple funds and/or other accounts may result in a portfolio
ing unequal time and attention to the management of each fund and/or other account.
or seeks to manage such competing interests for the time and attention of a portfolio
ving the portfolio manager focus on a particular investment discipline. Most other
ged by a portfolio manager are managed using the same investment models that are
tion with the management of the Fund. If a portfolio manager identifies a limited
portunity which may be suitable for more than one fund or other account, a fund may
ake full advantage of that opportunity due to an allocation of filled purchase or sale
ll eligible funds and other accounts. To deal with these situations, the Sub-Advisor
ocedures for allocating portfolio transactions across multiple accounts. - 47 - With
rities transactions for the Fund, the Sub-Advisor determines which broker to use to
rder, consistent with its duty to seek best execution of the transaction. However, with
in other accounts (such as mutual funds for which the Sub-Advisor acts as
her pooled investment vehicles that are not registered mutual funds, and other
ged for organizations and individuals), the Sub-Advisor may be limited by the client
the selection of brokers or may be instructed to direct trades through a particular
cases, trades for a fund in a particular security may be placed separately from, rather
d with, such other accounts. Having separate transactions with respect to a security
y affect the market price of the security or the execution of the transaction, or both,
detriment of such fund or other account(s) involved. The Sub-Advisor, the Advisor
ave adopted certain compliance procedures which are designed to address these types
owever, there is no guarantee that such procedures will detect each and every
ich a conflict arises. The Sub-Advisor, subject to the Board of Trustees' and Advisor's
ovides the Fund with discretionary investment services. Specifically, the Sub-Advisor
or managing the investments of the Fund in accordance with the Fund's investment
cies and restrictions as provided in the Prospectus and this Statement of Additional
may be subsequently changed by the Board of Trustees and communicated to the
writing. The Sub-Advisor further agrees to conform to all applicable laws and
he Commission in all material respects and to conduct its activities under the

Agreement in all material respects in accordance with applicable regulations of any
authority pertaining to its investment advisory services. In the performance of its
-Advisor will in all material respects satisfy any applicable fiduciary duties it may
nd, will monitor the Fund's investments, and will comply with the provisions of the
tion of Trust and By-laws, as amended from time to time, and the stated investment
ies and restrictions of the Fund. The Sub-Advisor is responsible for effecting all
ctions for the Fund's assets. The Sub-Advisory Agreement provides that the
hall not be liable for any loss suffered by the Fund or the Advisor (including, without
eason of the purchase, sale or retention of any security) in connection with the
f the Sub-Advisor's duties under the Sub-Advisory Agreement, except for a loss
willful misfeasance, bad faith or gross negligence on the part of the Sub-Advisor in
f its duties under such Sub-Advisory Agreement, or by reason of its reckless disregard
ns and duties under such Sub-Advisory Agreement. Pursuant to the Sub-Advisory
ong the Advisor, the Sub-Advisor and the Fund, the Advisor has agreed to pay for the
cilities provided by the Sub-Advisor through sub-advisory fees. The Sub-Advisor
folio management fee equal to 0.50% of the Fund's Managed Assets. The
fee is paid by the Advisor out of the Advisor's management fee. From the
t of the Fund's operations through September 13, 2007, the Fund paid the Advisor
which $2,822,136 was paid by the Advisor to the Predecessor Sub-Advisor. From
2007 through December 31, - 48 - 2010, the Fund paid the Advisor $7,157,322 of
561 was paid by the Advisor to the Sub-Advisor. See "Summary of Fund Expenses"
ent of the Fund -- Investment Management Agreement" in the Fund's Prospectus.
ory Agreement may be terminated without the payment of any penalty by First Trust
Fund's Board of Trustees, or a majority of the outstanding voting securities of the
ed in the 1940 Act), upon 60 days' written notice to the Sub-Advisor. All fees and
ccrued daily and deducted before payment of dividends to investors. The
Agreement has been approved by the Board of Trustees, including a majority of the
rustees of the Fund, and the common shareholders of the Fund. PORTFOLIO
ONS AND BROKERAGE Subject to the supervision of the Board of Trustees, the
responsible for decisions to buy and sell securities for the Fund and for the
he Fund's securities business, the negotiation of the commissions to be paid on
actions, the prices for principal trades in securities, and the allocation of portfolio
principal business. It is the policy of the Sub-Advisor to seek the best execution at the
rice available with respect to each transaction, and with respect to brokered
light of the overall quality of brokerage and research services provided to the
nd its advisees. The best price to the Fund means the best net price without regard to
n purchase or sale price and commission, if any. Purchases may be made from
ealers, and, on occasion, the issuers. Commissions will be paid on the Fund's futures
nsactions, if any. The purchase price of portfolio securities purchased from an
dealer may include underwriting commissions and dealer spreads. The Fund may pay
rincipal transactions. In selecting broker/dealers and in negotiating commissions, the
onsiders, among other things, the firm's reliability, the quality of its execution
ontinuing basis and its financial condition. The selection of a broker-dealer may take
e sale of products sponsored or advised by the Sub-Advisor and/or its affiliates. If
e Fund's Board of Trustees, the Sub-Advisor may select an affiliated broker-dealer to
ons in the Fund, so long as such transactions are consistent with Rule 17e-1 under the
Fund paid brokerage commissions in the amounts of $428, 905, $316,694 and
10, 2009 and 2008, respectively. The Fund did not pay any brokerage commissions
d persons of the Fund. Section 28(e) of the Securities Exchange Act of 1934, as
tion 28(e)"), permits an investment Advisor, under certain circumstances, to cause an
a broker or dealer who supplies brokerage and research services a commission for

saction in excess of the amount of commission another broker or dealer would have
ecting the transaction. Brokerage and research services include (a) furnishing advice
of securities, the advisability of investing, purchasing or selling securities, and the
securities or purchasers or sellers of securities; (b) furnishing analyses and reports
ers, industries, securities, economic factors and trends, portfolio strategy, and the
f - 49 - accounts; and (c) effecting securities transactions and performing functions
eto (such as clearance, settlement, and custody). In light of the above, in selecting
b-Advisor may consider investment and market information and other research, such
ecurities and performance measurement research, provided by such brokers, and the
ability of brokerage services, including execution capability, performance, and
nsibility. Accordingly, the commissions charged by any such broker may be greater
t another firm might charge if the Sub-Advisor determines in good faith that the
commissions is reasonable in relation to the value of the research information and
ices provided by such broker to the Sub-Advisor or the Fund. The Sub-Advisor
e research information received in this manner provides the Fund with benefits by
the research otherwise available to the Fund. The investment advisory fees paid by
Advisor under the Investment Management Agreement is not reduced as a result of
Advisor or the Sub-Advisor of research services. The Advisor and Sub-Advisor may
transactions for other advisory accounts advised by them, and research services
rms through which the Fund effects its securities transactions may be used by the
servicing all of its accounts; not all of such services may be used by the
connection with the Fund. The Sub-Advisor believes it is not possible to measure
benefits from research services to each of the accounts (including the Fund) they
e the volume and nature of the trading activities of the accounts are not uniform, the
missions in excess of those charged by another broker paid by each account for
research services will vary. However, the Sub-Advisor believes such costs to the
be disproportionate to the benefits received by the Fund on a continuing basis. The
eeks to allocate portfolio transactions equitably whenever concurrent decisions are
se or sell securities by the Fund and another advisory account. In some cases, this
d have an adverse effect on the price or the amount of securities available to the
g such allocations between the Fund and other advisory accounts, the main factors
the Sub-Advisor are the investment objective, the relative size of portfolio holding of
mparable securities, the availability of cash for investment and the size of investment
generally held, and the opinions of the persons responsible for recommending
the Fund and such other accounts and funds. CERTAIN PROVISIONS IN THE
ON OF TRUST AND BY-LAWS Under Massachusetts law, shareholders could, in
tances, be held personally liable for the obligations of the Fund. However, the
Trust (the "Declaration") contains an express disclaimer of shareholder liability for
tions of the Fund and requires that notice of such limited liability be given in each
igation or instrument entered into or executed by the Fund or the Trustees. The
ther provides for indemnification out of the assets and property of the Fund for all
se of any shareholder held personally liable for the obligations of the Fund solely by
r her being a shareholder. Thus, the risk of a - 50 - shareholder incurring financial
t of shareholder liability is limited to circumstances in which the Fund would be
its obligations. The Fund believes that the likelihood of such circumstances is
eclaration and By-Laws include provisions that could limit the ability of other entities
cquire control of the Fund or to convert the Fund to open-end status. The number of
ently five, but by action of two-thirds of the trustees, the Board of Trustees may from
increased or decreased. The Board of Trustees is divided into three classes of
g staggered three-year terms, with the terms of one class expiring at each annual
reholders. If the Fund issues Preferred Shares, the Fund may establish a separate class

elected by the holders of the Preferred Shares. Subject to applicable provisions of the
ncies on the Board of Trustees may be filled by a majority action of the remaining
provisions may work to delay a change in the majority of the Board of Trustees. The
he Declaration of Trust relating to the election and removal of trustees may be
by a vote of two-thirds of the trustees then in office. The By-Laws may be amended
ard of Trustees. Generally, the Declaration requires the affirmative vote or consent by
ast two-thirds of the shares outstanding and entitled to vote, except as described
orize (1) a conversion of the Fund from a closed-end to an open-end investment
merger or consolidation of the Fund with any corporation, association, trust or other
ncluding a series or class of such other organization (other than a merger,
reorganization or sale of assets with an acquiring fund that is not an operating entity
ior to the transaction), (3) a sale, lease or exchange of all or substantially all of the
other than in the regular course of business of the Fund, sales of assets in connection
ation of the Fund as provided in the Declaration of Trust, or sale of assets with an
that is not an operating entity immediately prior to the transaction), (4) in certain
a termination of the Fund, (5) removal of Trustees by shareholders, or (6) certain
which a Principal Shareholder (as defined below) is a party to the transactions.
respect to items (1), (2) and (3) above, if the applicable transaction has been already
e affirmative vote of two-thirds of the Trustees, then the majority of the outstanding
s as defined in the 1940 Act (a "Majority Shareholder Vote") is required. In addition,
n preferred shares outstanding, with respect to (1) above, two-thirds of the preferred
s a separate class shall also be required unless the action has already been approved
f the Trustees, in which case then a Majority Shareholder Vote is required. Such
e or consent shall be in addition to the vote or consent of the holders of the shares
ired by law or by the terms of any class or series of preferred shares, whether now or
rized, or any agreement between the Fund and any national securities exchange.
case of items (2) or (3) that constitute a plan of reorganization (as such term is used
t) which adversely affects the preferred shares within the meaning of section
the 1940 Act, except as may otherwise be required by law, the approval of the action
l also require the affirmative vote of two thirds of the preferred shares voting as a
provided, however, that such separate class vote shall be by a Majority Shareholder
on in question has previously been approved by the affirmative vote of two-thirds of
51 - Approval of shareholders is not required, however, for any transaction, whether
er, consolidation, reorganization or otherwise whereby the Fund issues shares in
h the acquisition of assets (including those subject to liabilities) from any other
npany or similar entity. None of the foregoing provisions may be amended except by
east two-thirds of the Shares outstanding and entitled to vote. As noted above,
Declaration of Trust, the affirmative approval of two-thirds of the Shares outstanding
vote, subject to certain exceptions, shall be required for the following transactions in
pal Shareholder (as defined below) is a party: (1) the merger or consolidation of the
bsidiary of the Fund with or into any Principal Shareholder; (2) the issuance of any
e Fund to any Principal Shareholder for cash other than pursuant to a dividend
r similar plan available to all shareholders; (3) the sale, lease or exchange of all or
part of the assets of the Fund to any Principal Shareholder (except assets having an
market value of less than $1,000,000, aggregating for the purpose of such
l assets sold, leased or exchanged in any series of similar transactions within a
period); (4) the sale, lease or exchange to the Fund or any subsidiary thereof, in
ecurities of the Fund, of any assets of any Principal Shareholder (except assets having
ir market value of less than $1,000,000, aggregating for the purposes of such
l assets sold, leased or exchanged in any series of similar transactions within a
period). However, shareholder approval for the foregoing transactions shall not be

) any transaction, including, without limitation, any rights offering, made available
asis to all shareholders of the Fund or class thereof unless the Trustees specifically
saction subject to this voting provision, (2) any transaction if the Trustees shall by
e approved a memorandum of understanding with such Principal Shareholder with
substantially consistent with such transaction or (3) any such transaction with any
which a majority of the outstanding shares of all classes of stock normally entitled to
s of directors is owned of record or beneficially by the Fund and its subsidiaries. As
e Declaration of Trust, a Principal Shareholder shall mean any corporation, person or
ich is the beneficial owner, directly or indirectly, of more than 5% of the outstanding
l include any affiliate or associate (as such terms are defined in the Declaration of
cipal Shareholder. The above affirmative vote shall be in addition to the vote of the
herwise required by law or by the terms of any class or series of preferred shares,
r hereafter authorized, or any agreement between the Fund and any national securities
provisions of the Declaration described above could have the effect of depriving the
holders of opportunities to sell their common shares at a premium over market value
g a third party from seeking to obtain control of the Fund in a tender offer or similar
e overall effect of these provisions is to render more difficult the accomplishment of
assumption of control by a third party. They provide, however, the advantage of
uiring persons seeking control of a Fund to negotiate with its management regarding
paid and facilitating the continuity of the Fund's investment objective and policies.
Trustees of the Fund has considered the foregoing anti-takeover provisions and
they are in the best interests of the Fund and its common shareholders. - 52 - The
ovides that the obligations of the Fund are not binding upon the Trustees of the Fund
ut only upon the assets and property of the Fund, and that the Trustees shall not be
rson in connection with the Fund property or the affairs of the Fund or for any
ngdoing of any officer, employee or agent of the Fund or for the act or omission of
tee. Nothing in the Declaration, however, protects a Trustee against any liability to
e would otherwise be subject by reason of willful misfeasance, bad faith, gross
eckless disregard of the duties involved in the conduct of his office with or on behalf
eference should be made to the Declaration on file with the Commission for the full
ovisions. REPURCHASE OF FUND SHARES; CONVERSION TO OPEN-END
nd is a closed-end investment company and as such its shareholders will not have the
he Fund to redeem their shares. Instead, the Fund's common shares trade in the open
ce that is be a function of several factors, including dividend levels (which are in turn
penses), NAV, call protection, price, dividend stability, relative demand for and
shares in the market, general market and economic conditions and other factors.
of a closed-end investment company may frequently trade at prices lower than
tees, in consultation with the Fund's Advisor, Sub-Advisor and the corporate finance
nsulting agent that the Advisor has retained from time to time, may review possible
ce any such discount. Actions may include the repurchase of such shares in the open
ivate transactions, the making of a tender offer for such shares, or the conversion of
open-end investment company. There can be no assurance, however, that the
ecide to take any of these actions, or that share repurchases or tender offers, if
ll reduce a market discount. After any consideration of potential actions to seek to
nificant market discount, the Trustees may, subject to their fiduciary obligations and
h applicable state and federal laws, authorize the commencement of a
se program or tender offer. The size and timing of any such share repurchase program
will be determined by the Trustees in light of the market discount of the common
volume of the common shares, information presented to the Trustees regarding the
t of any such share repurchase program or tender offer, and general market and
itions. There can be no assurance that the Fund will in fact effect repurchases of or

or any of its common shares. Before deciding whether to take any action if the Fund's
s trade below NAV, the Trustees would consider all relevant factors, including the
ation of the discount, the liquidity of the Fund's portfolio, the impact of any action
aken on the Fund or its shareholders and market considerations. Based on these
even if the Fund's shares should trade at a discount, the Trustees may determine that,
of the Fund and its shareholders, no action should be taken. Further, the staff of the
urrently requires that any tender offer made by a closed-end investment company for
be at a price equal to the NAV of such shares on the close of business on the last day
ffer. Any service fees incurred in connection with any tender offer made - 53 - by the
orne by the Fund and will not reduce the stated consideration to be paid to tendering
ubject to its investment limitations, the Fund may borrow to finance the repurchase
make a tender offer. Interest on any borrowings to finance share repurchase
the accumulation of cash by the Fund in anticipation of share repurchases or tenders
e Fund's expenses and reduce the Fund's net income. Any share repurchase, tender
ving that might be approved by the Trustees would have to comply with the Securities
of 1934, as amended, and the 1940 Act and the rules and regulations thereunder.
ecision to take action in response to a discount from NAV will be made by the
time they consider such issue, it is the Trustees' present policy, which may be
Trustees, not to authorize repurchases of common shares or a tender offer for such
ch transactions, if consummated, would (a) result in the delisting of the common
e NYSE Amex, or (b) impair status as a registered closed-end investment company
Act; (2) the Fund would not be able to liquidate portfolio securities in an orderly
nsistent with the Fund's investment objective and policies in order to repurchase
here is, in the Board of Trustees' judgment, any (a) material legal action or proceeding
reatened challenging such transactions or otherwise materially adversely affecting the
ral suspension of or limitation on prices for trading securities on the NYSE Amex, (c)
a banking moratorium by Federal or state authorities or any suspension of payment by
r state banks in which the Fund invests, (d) material limitation affecting the Fund or
s portfolio securities by Federal or state authorities on the extension of credit by
ions or on the exchange of non-U.S. currency, (e) commencement of war, armed
her international or national calamity directly or indirectly involving the United
her event or condition which would have a material adverse effect (including any
ect) on the Fund or its shareholders if shares were repurchased. The Trustees may in
fy these conditions in light of experience with respect to the Fund. Conversion to an
pany would require the approval of the holders of at least two-thirds of the Fund's
ing and entitled to vote; provided, however, that unless otherwise provided by law, if
red shares outstanding, the affirmative vote of two-thirds of the preferred shares
arate class shall be required; provided, however, that such votes shall be by the
e of the majority of the outstanding voting securities, as defined in the 1940 Act, if
uestion was previously approved by the affirmative vote of two-thirds of the Trustees.
ve vote or consent shall be in addition to the vote or consent of the holders of the
se required by law or by the terms of any class or series of preferred shares, whether
er authorized, or any agreement between the Fund and any national securities
the Prospectus under "Closed-End Fund Structure" for a discussion of voting
pplicable to conversion of the Fund to an open-end company. If the Fund converted
company, the Fund's common shares would no longer be listed on the NYSE Amex.
Shares would need to be redeemed and any Borrowings may need to be repaid upon
n open-end investment company. Additionally, the 1940 Act imposes limitations on
s' - 54 - investments in illiquid securities, which could restrict the Fund's ability to
n securities discussed in the Prospectus to the extent discussed therein. Such
ld adversely affect distributions to Fund common shareholders in the event of

n open-end fund. Shareholders of an open-end investment company may require the
leem their shares on any business day (except in certain circumstances as authorized
1940 Act) at their net asset value, less such redemption charge, if any, as might be in
ne of redemption. In order to avoid maintaining large cash positions or liquidating
stments to meet redemptions, open-end companies typically engage in a continuous
r shares. Open-end companies are thus subject to periodic asset in-flows and
can complicate portfolio management. The Trustees may at any time propose
he Fund to an open-end company depending upon their judgment as to the
such action in light of circumstances then prevailing. The repurchase by the Fund of
ces below NAV will result in an increase in the NAV of those shares that remain
owever, there can be no assurance that share repurchases or tenders at or below NAV
e Fund's shares trading at a price equal to their NAV. Nevertheless, the fact that the
nay be the subject of repurchase or tender offers from time to time may reduce any
market price and NAV that might otherwise exist. In addition, a purchase by the
nmon shares will decrease the Fund's Managed Assets which would likely have the
sing the Fund's expense ratio. NET ASSET VALUE The NAV of the common shares
computed based upon the value of the Fund's portfolio securities and other assets. The
ined daily as of the close of regular session trading on the New York Stock Exchange
p.m. eastern time). U.S. debt securities will normally be priced using data reflecting
ng of the principal markets for those securities. The Fund calculates NAV per
e by subtracting the Fund's liabilities (including accrued expenses, dividends payable,
erred income taxes, any borrowings of the Fund and the market value of written call
e liquidation value of any outstanding Preferred Shares from the Fund's Managed
ue of the securities and other investments the Fund holds plus cash or other assets,
est accrued but not yet received and option premiums) and dividing the result by the
common shares outstanding. The Fund relies to some extent on information
LPs, which is not necessarily timely, to estimate taxable income allocable to MLP
ne Fund and to estimate associated deferred tax liability. From time to time the Fund
estimates and/or assumption regarding its deferred tax liability as new information
ble. To the extent the Fund modifies its estimates and/or assumptions, the net asset
nd would likely fluctuate. The assets in the Fund's portfolio are valued daily in
h Valuation Procedures adopted by the Trustees. The Sub-Advisor anticipates that a
Fund's assets will be valued using market information supplied by third parties. In
narket quotations are not readily available, the pricing service does not provide a
particular asset (as is - 55 - the case for unlisted investments), or the valuations are
ble, or if events occurring after the close of the principal markets for particular
U.S. debt securities), but before the Fund values its assets, would materially affect
l may use a fair value method in good faith to value the Fund's securities and
ne use of fair value pricing by the Fund is governed by Valuation Procedures (as
adopted by the Trustees, and in accordance with the provisions of the 1940 Act. For
ermining the NAV of the Fund, readily marketable portfolio securities listed on any
other than The Nasdaq Stock Market are valued, except as indicated below, at the last
e business day as of which such value is being determined. If there has been no sale
e securities are valued at the mean of the most recent bid and asked prices on such
admitted to trade on Nasdaq are valued at the Nasdaq Official Closing Price as
Nasdaq. Portfolio securities traded on more than one securities exchange are valued
price on the business day as of which such value is being determined at the close of
epresenting the principal market for such securities. Equity securities traded in the
er market, but excluding securities admitted to trading on Nasdaq, are valued at the
ces. Fixed income securities with a remaining maturity of 60 days or more will be
Fund using a pricing service. When price quotes are not available, fair market value is

s of comparable securities. Fixed income securities maturing within 60 days are
Fund on an amortized cost basis. Any derivative transaction that the Fund enters into
g on the applicable market environment, have a positive or negative value for
culating NAV. Any option transaction that the Fund enters into may, depending on
market environment, have no value or a positive value. Exchange traded options and
ts are valued at the closing price in the market where such contracts are principally
ue of any portfolio security held by the Fund for which reliable market quotations are
ilable, including illiquid securities, or if a valuation is deemed inappropriate, will be
der procedures adopted by the Board of Trustees in a manner that reflects fair market
curity on the valuation date. Unlisted Investments--Fair Value. When applicable, fair
ined by the Board of Trustees or its designee. In fair valuing the Fund's investments,
s given to several factors, which may include, among others, the following: o the
flows for the issuer or borrower; o the fundamental business data relating to the
wer; o an evaluation of the forces which influence the market in which these
urchased and sold; - 56 - o the type, size and cost of holding; o the financial
he issuer or borrower; o the credit quality and cash flow of issuer, based on the
or external analysis; o the information as to any transactions in or offers for the
price extent of public trading in similar securities (or equity securities) of the
r, or comparable companies; o the coupon payments; o the quality, value and
ollateral securing the security or loan; o the business prospects of the issuer/borrower,
ability to obtain money or resources from a parent or affiliate and an assessment of
borrower's management; o the prospects for the issuer's or borrower's industry, and
arnings and/or cash flow) being paid for similar businesses in that industry; o any
e over time due to the nature of the assets - for example, an entity that has a finite-life
eement with a government agency to provide a service (e.g., toll roads and airports);
evant factors. If the Board of Trustees or its designee cannot obtain a market value or
rustees or its designee determines that the value of a security as so obtained does not
value as of the valuation time (due to a significant development subsequent to the
determined or otherwise), fair value for the security shall be determined pursuant to
established by the Board of Trustees (the "Valuation Procedures"). The Valuation
vide that direct placements of securities of private companies (i.e., companies with
public securities) will be valued based upon a fair value methodology, which has
at cost. The Valuation Procedures provide that securities that are convertible into
securities (i.e., subordinated units) ordinarily will be valued at the market value of
ded security less a discount equal in amount to the discount negotiated at the time of
port of any prices determined pursuant to such fair value methodologies will be
e Board of Trustees or a designated committee thereof no less frequently than
Valuation Procedures also provide that the Board of Trustees or its designee will
uation of the obligation for income taxes separately - 57 - for current taxes and
due to the differing impact of each on the anticipated timing distributions by the Fund
ers. The allocation between current and deferred income taxes is determined based
of assets reported for book purposes compared to the respective net tax bases of
nized for federal income tax purposes. It is anticipated that cash distributions, for
n the Fund invests, will not equal the amount of taxable income allocable to the Fund
o depreciation and amortization recorded by MLPs which generally results in a
cash distribution received to not be recognizable as income for tax purposes. The
of such distributions not recognized for tax purposes will vary among the MLPs, and
year by year for each MLP. The Board of Trustees or its designee will be able to
n the portion of each distribution recognized as taxable income when it receives
orting information from each MLP. The allocation between current and deferred
lso impacts the determination of the Fund's earnings and profits, as described in Code

AX MATTERS The following discussion of federal income tax matters is based on
hapman and Cutler LLP, counsel to the Fund. MATTERS ADDRESSED This
discussion in the Prospectus provide a general summary of the material U.S. federal
sequences to the persons who purchase, own and dispose of the common shares. It
s all federal income tax consequences that may apply to investment in the common
otherwise indicated, this discussion is limited to taxpayers who are U.S. persons, as
The discussion that follows is based on the provisions of the Code, treasury
mulgated thereunder as in effect on the date hereof and on existing judicial and
interpretations thereof. These authorities are subject to change and to differing
which could apply retroactively. Potential investors should consult their own tax
ermining the federal, state, local, foreign and any other tax consequences to them of
wnership and disposition of the common shares. This discussion does not address all
es that may be applicable to a U.S. person that is a beneficial owner of common
s it address, unless specifically indicated, the tax consequences to, among others, (i)
ay be subject to special treatment under U.S. federal income tax law, including, but
banks, insurance companies, thrift institutions, regulated investment companies, real
nt trusts, tax-exempt organizations and dealers in securities or currencies, (ii) persons
ommon shares as part of a position in a "straddle" or as part of a "hedging,"
r other integrated investment transaction for U.S. federal income tax purposes, (iii)
functional currency is not the United States dollar or (iv) persons that do not hold
s as capital assets within the meaning of Section 1221 of the Code. - 58 - For
s discussion, a "U.S. person" is (i) an individual citizen or resident of the United
rporation or partnership organized in or under the laws of the United States or any
the District of Columbia (other than a partnership that is not treated as a United
nder any applicable treasury regulations), (iii) an estate the income of which is
federal income taxation regardless of its source, or (iv) a trust if a court within the
s able to exercise primary supervision over the administration of such trust and one or
ons have the authority to control all the substantial decisions of such trust.
g clause (iv) above, to the extent provided in regulations, certain trusts in existence
1996 and treated as U.S. persons prior to such date that elect to continue to be so
ll be considered U.S. persons. TAX CHARACTERIZATION OF THE FUND FOR
L INCOME TAX PURPOSES The Fund has elected to be treated as a regular C
U.S. federal income tax purposes. Thus, the Fund is subject to U.S. corporate
its U.S. taxable income. Such taxable income generally would include all of the
me from the MLPs. The current U.S. federal maximum graduated income tax rate for
35%. In addition, the United States also imposes a 20% alternative minimum tax on
d alternative minimum taxable income of an entity treated as a corporation. Any such
income tax or alternative minimum tax could materially reduce cash available to
s on the common shares. The Fund will also be obligated to pay state income tax on
me, either because the states follow the federal election or because the states
ose a tax on the Fund. The MLPs in which the Fund intends to invest generally are
erships for U.S. federal income tax purposes. As a partner in the MLPs, the Fund will
report its allocable share of MLP income, gain, loss, deduction and expense, whether
is distributed from the MLPs. The Fund intends to invest in energy MLPs, so the
es that the majority of the Fund's items of income, gain, loss, deduction and expense
to energy ventures. However, some items are likely to relate to the temporary
he Fund's capital, which may be unrelated to energy ventures. In general, for certain
nvestment life cycle, energy ventures historically have generated taxable income in
an the amount of cash distributions that they have produced. The Fund anticipates
ncur U.S. federal income tax on a significant portion of its cash flow received,
er taking into account the Fund's current operating expenses. However, the Fund's

stments may not perform consistently with historical patterns in the industry, and
nay be incurred by the Fund. Although the Fund intends to hold the interests in the
stment, the Fund is likely to sell interests in a particular MLP from time to time. On
he Fund generally will recognize gain or loss based upon the difference between the
eceived for tax purposes on the sale and the Fund's tax basis in the interest sold. The
eceived - 59 - is generally the amount paid by the purchaser plus any debt of the MLP
Fund that will shift to the purchaser on the sale. The Fund's tax basis in an MLP is
d for the interest, decreased for any distributions of cash received by the Fund in
und's allocable share of taxable income and decreased by the Fund's allocable share
hus, although cash in excess of taxable income and net tax losses may create a
nomic benefit to the Fund, they will increase the amount of gain (or decrease the
) on the sale of an interest in an MLP. No favorable federal income tax rate applies to
tal gains for entities treated as corporations for federal income tax purposes, such as
, the Fund will be subject to federal income tax on its long-term capital gains, like
e, at rates of up to 35%. In calculating the Fund's alternative minimum taxable
percentage depletion deductions and intangible drilling costs may be treated as items
ce. Items of tax preference increase alternative minimum taxable income and increase
hat the Fund may be subject to the alternative minimum tax. The Fund is not treated
nvestment company for federal income tax purposes. In order to qualify as a
tment company, the income and assets of the company must meet certain minimum
Because the Fund invests a substantial portion of its Managed Assets in MLPs that
y ventures, the Fund does not meet such tests under current law. In contrast to the tax
pply to the Fund, a regulated investment company generally does not pay corporate
us, the regulated investment company taxation rules have no application to the Fund
areholders of the Fund. TAXATION OF THE SHAREHOLDERS Distributions. The
tions will be treated as dividends to common shareholders to the extent of the Fund's
mulated earnings and profits as determined for federal income tax purposes. As
eater detail below, prior to 2013, dividends that qualify as "qualified dividend
nerally taxed to individuals at a maximum 15% rate if certain holding period and
ents are met. After 2012, individuals will be taxed at ordinary rates on dividend
urrent maximum rate for individuals on ordinary income is 35%. This rate is
crease to 39.6% after 2012. Corporations are generally subject to tax on dividends at
% rate, but corporations may be eligible to exclude 70% of the dividends if certain
requirements are met by the common shareholder receiving such dividend. Common
at are not U.S. persons are generally subject to a 30% withholding tax, unless (i) the
holder's interest in the Fund is effectively connected to a U.S. trade or business and
areholder provides the Fund with a Form W-8ECI signed under penalties of perjury
the common shareholder will be subject to the normal U.S. graduated rates) or (ii)
areholder is eligible for the benefits of a U.S. income tax treaty and provides the
rm W-8BEN signed under penalties of perjury (in which case, the common
ll be subject to the rate of withholding provided for in the relevant treaty). In addition,
nd dispositions of interests in - 60 - the Fund after December 31, 2012 may be subject
olding tax of 30% in the case of distributions to (i) certain non-U.S. financial
t have not entered into an agreement with the U.S. Treasury to collect and disclose
tion and (ii) certain other non-U.S. entities that do not provide certain certifications
n about the entity's U.S. owners If a Fund distribution exceeds the Fund's current and
rnings and profits, the distribution will be treated as a non-taxable adjustment to the
mmon shares to the extent of such basis, and then as capital gain to the extent of the
tion. Such gain will be long-term capital gain if the holding period for the common
than one year. Individuals are currently subject to a maximum tax rate of 15% on
tal gains. This rate is currently scheduled to increase to 20% for tax years beginning

r 31, 2012. Corporations are taxed on capital gains at their ordinary graduated rates.
ered natural resources are viewed as interests in real property for some purposes of
nding upon the nature and location of the MLPs' assets, the Fund could from time to
ed as a U.S. real property holding corporation. If the Fund is classified as a U.S. real
g corporation, dispositions of interests in the Fund by a non-U.S. common
d distributions in excess of a non-U.S. common shareholder's basis may be subject to
ng. A corporation's earnings and profits are generally calculated by making certain
the corporation's reported taxable income. Based upon the historic performance of
the Fund anticipates that the distributed cash from the MLPs in its portfolio will
d's earnings and profits. Thus, the Fund anticipates that only a portion of its
ill be treated as dividends to its common shareholders for federal income tax
ial rules apply to the calculation of earnings and profits for corporations invested in
s. The Fund's earnings and profits will be calculated using (i) straight-line
ther than a percentage depletion method and (ii) five-year and ten-year amortization
s and exploration and development costs, respectively. Thus, these deductions may be
wer for purposes of calculating earnings and profits than they are for purposes of
able income. Because of these differences, the Fund may make distributions out of
rofits, treated as dividends, in years in which Fund distributions exceed the Fund's
. The maximum federal income tax rate for individuals on qualified dividend income
nerally 15% for tax years ending on or before December 31, 2012, unless such
ment is repealed sooner by new legislation. The portion of the Fund's distributions
idend for federal income tax purposes should be treated as qualified dividend income
ome tax purposes, subject to certain holding period and other requirements. This rate
ends is currently scheduled to increase back to ordinary income rates after December
the maximum marginal federal income tax rate being 39.6%. - 61 - A common
rticipating in the Fund's automatic dividend reinvestment plan will be taxed upon the
unt as if actually received by the participating common shareholder and the
ommon shareholder reinvested such amount in additional Fund common shares. The
y common shareholders annually as to the federal income tax status of Fund
them. Sale of Shares. Upon the sale of common shares, a common shareholder will
gnize capital gain or loss measured by the difference between the amount received on
e common shareholder's tax basis of common shares sold. As discussed above, such
be less than the price paid for the common shares as a result of Fund distributions in
und's earnings and profits. Such capital gain or loss will generally be long-term
loss, if such common shares were capital assets held for more than one year. In
butions and dispositions of interests in the Fund after December 31, 2012 may be
S. withholding tax of 30% in the case of distributions to (i) certain non-U.S. financial
t have not entered into an agreement with the U.S. Treasury to collect and disclose
tion and (ii) certain other non-U.S. entities that do not provide certain certifications
n about the entity's U.S. owners Under the "Health Care and Education
Act of 2010," income from the Fund may also be subject to a new 3.8% "Medicare
or taxable years beginning after 2012 This tax will generally apply to the net
ome of a shareholder who is an individual if such shareholder's adjusted gross income
threshold amounts, which are $250,000 in the case of a married couple filing joint
00,000 in the case of single individuals. Information Reporting and Withholding. The
quired to report annually to the IRS, and to each common shareholder, the amount of
nd consideration paid in redemptions, and the amount withheld for federal income
or each calendar year, except as to exempt holders (including certain corporations,
anizations, qualified pension and profit-sharing trusts, and individual retirement
h common shareholder (other than common shareholders who are not subject to the
rements without supplying any documentation) will be required to provide the Fund,

of perjury, an IRS Form W-9, Form W-8BEN, Form W-8ECI or an equivalent form
common shareholder's name, address, correct federal taxpayer identification number
t that the common shareholder is not subject to backup withholding. Should a
mmon shareholder fail to provide the required certification, backup withholding will
rent backup withholding rate for domestic persons is 28%, but such rate is scheduled
1% after December 31, 2012. As mentioned above, non-U.S. persons may be subject
tax at a rate of 30%, if appropriate documentation demonstrating eligibility for a
ot provided. Backup withholding is not an additional tax. Any such withholding will
credit against the common shareholder's federal income tax liability provided the
nation is furnished to the IRS. - 62 - TAX CONSEQUENCES OF CERTAIN
TS Federal Income Taxation of MLPs. MLPs are generally intended to be taxed as
r federal income tax purposes. As a partnership, an MLP is treated as a pass-through
al income tax purposes. This means that the federal income items of the MLP, though
determined at the partnership level, are allocated among the partners in the MLP and
rectly in the calculation of the taxable income of the partners whether or not cash
ted from the MLP. The MLP files an information return, but normally pays no
tax. MLPs are often publicly traded. Publicly traded partnerships are generally
orations for federal income tax purposes. However, if an MLP satisfies certain
er requirements, the MLP will generally continue to be treated as partnership for
tax purposes. Under these requirements, an MLP must receive at least 90% of its
rom certain "qualifying income" sources. Qualifying income for this purpose
des interest, dividends, real property rents, real property gains, and income and gain
ration, development, mining or production, processing, refining, transportation or
ny mineral or natural resource (including fertilizer, geothermal energy, and timber).
bove, the Fund currently invests in energy MLPs, so the income of the MLPs should
fying income. As discussed above, the tax items of an MLP are allocated through to
the MLP whether or not an MLP makes any distributions of cash. In part because
ayments are payable quarterly, partnerships often make quarterly cash distributions.
from a partnership will generally be treated as a non-taxable adjustment to the basis
terest in the partnership to the extent of such basis, and then as gain to the extent of
ribution. The gain will generally be capital gain, but a variety of rules could
haracterize the gain as ordinary income. The Fund's initial tax basis is the price paid
terest plus any debt of the MLP allocated to the Fund. The tax basis is decreased for
nd allocations of deductions (such as percentage depletion) and losses, and increased
ributions and allocations of net income and gains. When interests in a partnership are
ence between (i) the sum of the sales price and the Fund's share of debt of the
t will be allocated to the purchaser and (ii) the Fund's adjusted tax basis will be
loss, as the case may be. The Fund should receive a Form K-1 from each MLP,
re of each item of MLP income, gain, loss, deductions and expense. The Fund will
ation to calculate its taxable income and its earnings and profits. Because the Fund
e taxed as a corporation, the Fund will report the tax items of the MLPs and any gain
ale of interests in the MLPs. The Fund's common shareholders will be viewed for
tax purposes as having income or loss on their investment in the Fund rather than in
MLPs. Common shareholders will receive a Form 1099 from the Fund based upon
s made (or deemed to have been made) rather - 63 - than based upon the income,
ductions of the MLPs in which the Fund invests. Other Investments. The Fund may
erate premiums from the sale of call options. These premiums typically will result in
tal gains to the Fund. Transactions involving the disposition of the Fund's underlying
ther pursuant to the exercise of a call option, put option or otherwise) will give rise to
losses. Because the Fund does not have control over the exercise of the call options
exercises or other required sales of the underlying stocks may cause the Fund to

gains or losses at inopportune times. Certain of the Fund's investment practices may
pecial and complex federal income tax provisions that may, among other things, (i)
nd or otherwise limit the allowance of certain losses or deductions, (ii) convert an
r a deduction into a capital loss (the deductibility of which is more limited) or (iii)
to recognize income or gain without a corresponding receipt of cash. The Fund will
nsactions and may make certain tax elections in order to mitigate the effect of these
ossible. PERFORMANCE RELATED AND COMPARATIVE INFORMATION
quote certain performance-related information and may compare certain aspects of
d structure to other substantially similar closed-end funds. In reports or other
ns to shareholders of the Fund or in advertising materials, the Fund may compare its
ith that of (1) other investment companies listed in the rankings prepared by Lipper,
, Morningstar Inc. or other independent services; publications such as Barrons,
, Forbes, Fortune, Institutional Investor, Kiplinger's Personal Finance, Money,
utual Fund Values, The New York Times, The Wall Street Journal and USA Today;
ry or financial publications or (2) the Standard & Poor's Index of 500 Stocks, the
ustrial Average, NASDAQ Composite Index and other relevant indices and industry
omparison of the Fund to an alternative investment should be made with
f differences in features and expected performance. The Fund may obtain data from
rting services, such as Bloomberg Financial and Lipper Inc., that the Fund believes to
curate. From time to time, the Fund may quote the Fund's total return, aggregate total
in advertisements or in reports and other communications to shareholders. The Fund's
ill vary depending upon market conditions, the composition of its portfolio and its
nses. Consequently any given performance quotation should not be considered
of the Fund's performance in the future. In addition, because performance will
y not provide a basis for comparing an investment in the Fund with certain bank
er investments that pay a fixed yield for a stated period of time. Investors comparing
ormance with that of other investment companies should give consideration to the
e of the respective investment companies' portfolio securities. - 64 - The Fund's
l total return" is computed according to a formula prescribed by the Commission.
n be expressed as follows: Average Annual Total Return will be computed as
= P(1+T)/n/ Where P = a hypothetical initial payment of $1,000 T = average annual
number of years ERV = ending redeemable value of a hypothetical $1,000 payment
ginning of the 1-, 5-, or 10-year periods at the end of the 1-, 5-, or 10-year periods (or
on). The Fund may also quote after-tax total returns to show the impact of assumed
taxes on an investment in the Fund. The Fund's total return "after taxes on
hows the effect of taxable distributions, but not any taxable gain or loss, on an
hares of the Fund for a specified period of time. The Fund's total return "after taxes
s and sale of Fund shares" shows the effect of both taxable distributions and any
loss realized by the shareholder upon the sale of Fund shares at the end of a specified
rmine these figures, all income, short-term capital gain distributions, and long-term
stributions are assumed to have been taxed at the highest marginal individualized
then in effect. Those maximum tax rates are applied to distributions prior to
nd the after-tax portion is assumed to have been reinvested in the Fund. State and
ignored. Actual after-tax returns depend on a shareholder's tax situation and may
se shown. After-tax returns reflect past tax effects and are not predictive of future tax
e Annual Total Return (After Taxes on Distributions) will be computed as follows:
+T)/n/ Where: P = a hypothetical initial investment of $1,000 T = average annual total
xes on distributions) n = number of years ATV/D/ = ending value of a hypothetical
ent made at the beginning of the period, at the end of the period (or fractional portion
axes on fund distributions but not after taxes on redemptions. - 65 - Average Annual
After Taxes on Distributions and Sale of Fund Shares) will be computed as follows:

1+T)/n/ Where: P = a hypothetical initial investment of $1,000 T = average annual
er taxes on distributions and redemption) n = number of years ATV/DR/ = ending
othetical $1,000 investment made at the beginning periods, at the end of the periods
ortion thereof), after taxes on fund distributions and redemptions. Quotations of yield
ill be based on all investment income per share earned during a particular 30-day
ng dividends and interest), less expenses accrued during the period ("net investment
re computed by dividing net investment income by the maximum offering price per
st day of the period, according to the following formula: Yield = 2 [(a-b/cd +1)/6/ -
dividends and interest earned during the period b = expenses accrued for the period
sements) c = the average daily number of shares outstanding during the period that
o receive dividends d = the maximum offering price per share on the last day of the
formance is not indicative of future results. At the time shareholders sell their shares,
orth more or less than their original investment. EXPERTS The Financial Statements
of November 30, 2010, incorporated by reference in this Statement of Additional
ave been audited by Deloitte & Touche LLP, an independent registered public
n, as set forth in their report thereon incorporated by reference in this Statement of
ormation, and is incorporated in reliance upon the report of such firm given upon their
perts in accounting and auditing services. Deloitte & Touche LLP provides auditing
Fund. The principal business address of Deloitte & Touche LLP is 111 South Wacker
, Illinois 60606. CUSTODIAN, ADMINISTRATOR AND TRANSFER AGENT
mpany, 8800 Tinicum Boulevard, Philadelphia, Pennsylvania 19153, serves as
he Fund. As such, PFPC Trust Company has custody of all securities and cash of the
ds to the collection of - 66 - principal and income and payment for and collection of
curities bought and sold by the Fund. BNY Mellon Investment Servicing (US) Inc.,
Parkway, Wilmington, Delaware 19809, is the transfer agent, registrar, dividend
nt and shareholder servicing agent for the Fund and provides certain clerical,
hareholder servicing and administrative services necessary for the operation of the
tenance of shareholder accounts. BNY Mellon Investment Servicing (US) Inc. also
n accounting and administrative services to the Fund pursuant to an Administration
g Services Agreement, including maintaining the Fund's books of account, records of
rities transactions, and certain other books and records; acting as liaison with the
dent registered public accounting firm and providing the independent registered
ng firm with certain Fund accounting information; and providing other continuous
administrative services. ADDITIONAL INFORMATION A Registration Statement
ncluding amendments thereto, relating to the shares of the Fund offered hereby, has
he Fund with the Commission. The Fund's Prospectus, any Prospectus Supplement
nent of Additional Information do not contain all of the information set forth in the
atement, including any exhibits and schedules thereto. For further information with
Fund and the shares offered hereby, reference is made to the Fund's Registration
ements contained in the Fund's Prospectus, and Prospectus Supplement and this
dditional Information as to the contents of any contract or other document referred to
rily complete and in each instance reference is made to the copy of such contract or
t filed as an exhibit to the Registration Statement, each such statement being qualified
by such reference. Copies of the Registration Statement may be inspected without
ommission's principal office in Washington, D.C., and copies of all or any part
obtained from the Commission upon the payment of certain fees prescribed by the
67 - FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT
PUBLIC ACCOUNTING FIRM The Fund's financial statements and financial
the reports of Deloitte & Touche LLP thereon, contained in the following documents
nd with the Commission, are hereby incorporated by reference into, and are made part
ent of Additional Information: The Fund's Annual Report for the year ended

2010 contained in the Fund's Form N-CSR filed with the Commission on February 4,
f such Annual Report must accompany the delivery of this Statement of Additional
-1 APPENDIX A Standard & Poor's Ratings Group -- A brief description of the
dard & Poor's Ratings Group, a division of The McGraw-Hill Companies ("Standard
&P"), rating symbols and their meanings (as published by S&P) follows: A Standard
credit rating is a current opinion of the creditworthiness of an obligor with respect to
cial obligation, a specific class of financial obligations, or a specific financial
es into consideration the creditworthiness of guarantors, insurers, or other forms of
ment on the obligation. The issue credit rating is not a recommendation to purchase,
inancial obligation, inasmuch as it does not comment as to market price or suitability
investor. Issue credit ratings are based on current information furnished by the
ained by Standard & Poor's from other sources it considers reliable. Standard &
perform an audit in connection with any credit rating and may, on occasion, rely on
ncial information. Credit ratings may be changed, suspended, or withdrawn as a result
r unavailability of, such information, or based on other circumstances. Issue credit
either long-term or short-term. Short-term ratings are generally assigned to those
sidered short-term in the relevant market. In the U.S., for example, that means
h an original maturity of no more than 365 days-including commercial paper.
ngs are also used to indicate the creditworthiness of an obligor with respect to put
g-term obligations. The result is a dual rating, in which the short-term rating
ut feature, in addition to the usual long-term rating. Medium-term notes are assigned
gs. LONG-TERM ISSUE CREDIT RATINGS Issue credit ratings are based in
s, on the following considerations: o Likelihood of payment--capacity and
the obligor to meet its financial commitment on an obligation in accordance with the
ligation; o Nature of and provisions of the obligation; and o Protection afforded by,
sition of, the obligation in the event of bankruptcy, reorganization, or other
nder the laws of bankruptcy and other laws affecting creditors' rights. The issue
ons are expressed in terms of default risk. As such, they pertain to senior obligations
nior obligations are typically rated lower than senior obligations, to reflect the lower
kruptcy, as noted above. A-1 AAA An obligation rated 'AAA' has the highest rating
ndard & Poor's. The obligor's capacity to meet its financial commitment on the
tremely strong. AA An obligation rated 'AA' differs from the highest-rated
y in small degree. The obligor's capacity to meet its financial commitment on the
ery strong. A An obligation rated 'A' is somewhat more susceptible to the adverse
ges in circumstances and economic conditions than obligations in higher-rated
wever, the obligor's capacity to meet its financial commitment on the obligation is
B An obligation rated 'BBB' exhibits adequate protection parameters. However,
mic conditions or changing circumstances are more likely to lead to a weakened
obligor to meet its financial commitment on the obligation. BB, B, CCC, CC, AND
rated 'BB,' 'B,' 'CCC,' 'CC,' and 'C' are regarded as having significant speculative
'BB' indicates the least degree of speculation and 'C' the highest. While such
l likely have some quality and protective characteristics, these may be outweighed by
ties or major exposures to adverse conditions. BB An obligation rated 'BB' is less
onpayment than other speculative issues. However, it faces major ongoing
r exposure to adverse business, financial, or economic conditions, which could lead to
adequate capacity to meet its financial commitment on the obligation. B An
d 'B' is more vulnerable to nonpayment than obligations rated 'BB,' but the obligor
e capacity to meet its financial commitment on the obligation. Adverse business,
onomic conditions will likely impair the obligor's capacity or willingness to meet its
itment on the obligation. A-2 CCC An obligation rated 'CCC' is currently vulnerable
and is dependent upon favorable business, financial, and economic conditions for the

its financial commitment on the obligation. In the event of adverse business,
onomic conditions, the obligor is not likely to have the capacity to meet its financial
n the obligation. CC An obligation rated 'CC' is currently highly vulnerable to
The 'C' rating may be used to cover a situation where a bankruptcy petition has been
action has been taken, but payments on this obligation are being continued. D An
d 'D' is in payment default. The 'D' rating category is used when payments on an
not made on the date due even if the applicable grace period has not expired, unless
or's believes that such payments will be made during such grace period. The 'D' rating
ed upon the filing of a bankruptcy petition or the taking of a similar action if
n obligation are jeopardized. Plus (+) or minus (-) The ratings from 'AA' to 'CCC' may
the addition of a plus or minus sign to show relative standing within the major rating
he 'c' subscript is used to provide additional information to investors that the bank
its obligation to purchase tendered bonds if the long-term credit rating of the issuer is
tment-grade level and/or the issuer's bonds are deemed taxable. p The letter 'p'
he rating is provisional. A provisional rating assumes the successful completion of the
d by the debt being rated and indicates that payment of debt service requirements is
ely dependent upon the successful, timely completion of the project. This rating,
addressing credit quality subsequent to completion of the project, makes no
e likelihood of or the risk of default upon failure of such completion. The investor
his own judgment with respect to such likelihood and risk. A-3 * Continuance of the
ngent upon Standard & Poor's receipt of an executed copy of the escrow agreement or
entation confirming investments and cash flows. r The 'r' highlights derivative,
tain other obligations that Standard & Poor's believes may experience high volatility
ity in expected returns as a result of noncredit risks. Examples of such obligations
vith principal or interest return indexed to equities, commodities, or currencies;
nd options; and interest-only and principal-only mortgage securities. The absence of
hould not be taken as an indication that an obligation will exhibit no volatility or
otal return. N.R. Not rated. Debt obligations of issuers outside the United States and
e rated on the same basis as domestic corporate and municipal issues. The ratings
editworthiness of the obligor but do not take into account currency exchange and
inties. Bond Investment Quality Standards Under present commercial bank
ued by the Comptroller of the Currency, bonds rated in the top four categories ('AAA,'
,' commonly known as investment-grade ratings) generally are regarded as eligible
ment. Also, the laws of various states governing legal investments impose certain
standards for obligations eligible for investment by savings banks, trust companies,
panies, and fiduciaries in general. SHORT-TERM ISSUE CREDIT RATINGS Notes.
Poor's note rating reflects the liquidity factors and market access risks unique to
e in three years or less will likely receive a note rating. Notes maturing beyond three
likely receive a long-term debt rating. The following criteria will be used in making
: o Chapter 1 Amortization schedule -- the larger the final maturity relative to other
more likely it will be treated as a note; and o Chapter 2 Source of payment -- the
t the issue is on the market for its refinancing, the more likely it will be treated as a
rating symbols are as follows: SP-1 Strong capacity to pay principal and interest. An
ed to possess a very strong capacity to pay debt service is given a plus (+)
P-2 Satisfactory capacity to pay principal and interest, with some vulnerability to
al and economic changes over the term of the notes. SP-3 Speculative capacity to pay
nterest. COMMERCIAL PAPER An S&P commercial paper rating is a current
he likelihood of timely payment of debt having an original maturity of no more than
ngs are graded into several categories, ranging from 'A-1' for the highest quality
D' for the lowest. These categories are as follows: A-1 A short-term obligation rated
the highest category by Standard & Poor's. The obligor's capacity to meet its

nitment on the obligation is strong. Within this category, certain obligations are
n a plus sign (+). This indicates that the obligor's capacity to meet its financial
n these obligations is extremely strong. A-2 A short-term obligation rated 'A-2' is
e susceptible to the adverse effects of changes in circumstances and economic
t obligations in higher rating categories. However, the obligor's capacity to meet its
nitment on the obligation is satisfactory. A-3 A short-term obligation rated 'A-3'
ate protection parameters. However, adverse economic conditions or changing
are more likely to lead to a weakened capacity of the obligor to meet its financial
n the obligation. A-5 B A short-term obligation rated 'B' is regarded as having
culative characteristics. The obligor currently has the capacity to meet its financial
n the obligation; however, it faces major ongoing uncertainties which could lead to
adequate capacity to meet its financial commitment on the obligation. C A short-term
d 'C' is currently vulnerable to nonpayment and is dependent upon favorable business,
conomic conditions for the obligor to meet its financial commitment on the
A short-term obligation rated 'D' is in payment default. The 'D' rating category is used
s on an obligation are not made on the date due even if the applicable grace period
, unless Standard & Poor's believes that such payments will be made during such
he 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of
n if payments on an obligation are jeopardized. Moody's Investors Service, Inc. -- A
n of the applicable Moody's Investors Service, Inc. ("Moody's") rating symbols and
(as published by Moody's) follows: LONG-TERM DEBT RATINGS AAA Bonds
udged to be of the best quality. They carry the smallest degree of investment risk and
eferred to as "gilt edged." Interest payments are protected by a large or by an
table margin and principal is secure. While the various protective elements are likely
n changes as can be visualized are most unlikely to impair the fundamentally strong
n issues. AA Bonds rated Aa are judged to be of high quality by all standards.
the Aaa group they comprise what are generally known as high-grade bonds. They
than the best bonds because margins of protection may not be as large as in Aaa
uctuation of protective elements may be of greater amplitude or there may be other
nt which make the long-term risk appear somewhat larger than the Aaa securities.
ated A possess many favorable investment attributes and are to be considered as
-grade obligations. Factors giving security to principal and interest are considered
lements may be present which suggest a susceptibility to impairment some time in
A Bonds rated Baa are considered as medium-grade obligations (i.e., they are neither
d nor poorly secured). Interest payments and principal security appear adequate for
t certain protective elements may be lacking or may be characteristically unreliable
length of time. Such bonds lack outstanding investment characteristics and in fact
ve characteristics as well. BA Bonds rated Ba are judged to have speculative
future cannot be considered as well-assured. Often the protection of interest and
ents may be very moderate, and thereby not well safeguarded during both good and
the future. Uncertainty of position characterizes bonds in this class. B Bonds rated B
characteristics of the desirable investment. Assurance of interest and principal
maintenance of other terms of the contract over any long period of time may be
nds rated Caa are of poor standing. Such issues may be in default or there may be
ts of danger with respect to principal or interest. CA Bonds rated Ca represent
ich are speculative in a high degree. Such issues are often in default or have other
omings. C Bonds rated C are the lowest rated class of bonds, and issues so rated can
having extremely poor prospects of ever attaining any real investment standing.
applies numerical modifiers 1, 2, and 3 in each generic rating classification from Aa
he modifier 1 indicates that the obligation ranks in the higher end of its generic rating
odifier 2 indicates A-7 a mid-range ranking; and the modifier 3 indicates a ranking in

of that generic rating category. SHORT-TERM DEBT RATINGS There are three
es for short-term municipal obligations that are considered investment grade. These
gnated as Municipal Investment Grade (MIG) and are divided into three levels --
MIG 3. In addition, those short-term obligations that are of speculative quality are
or speculative grade. MIG ratings expire at the maturity of the obligation. MIG 1
n denotes superior credit quality. Excellent protection is afforded by established cash
eliable liquidity support, or demonstrated broad-based access to the market for
IG 2 This designation denotes strong credit quality. Margins of protection are ample,
large as in the preceding group. MIG 3 This designation denotes acceptable credit
ity and cash-flow protection may be narrow, and market access for refinancing is
s well-established. SG This designation denotes speculative-grade credit quality. Debt
this category may lack sufficient margins of protection. DEMAND OBLIGATION
he case of variable rate demand obligations (VRDOs), a two-component rating is
g or short-term debt rating and a demand obligation rating. The first element
ody's evaluation of the degree of risk associated with scheduled principal and interest
second element represents Moody's evaluation of the degree of risk associated with
ceive purchase price upon demand ("demand feature"), using a variation of the MIG
e Variable Municipal Investment Grade or VMIG rating. When either the long- or
ct of a VRDO is not rated, that piece is designated NR, e.g., Aaa/NR or NR/VMIG 1.
xpirations are a function of each issue's specific structural or credit features. A-8
designation denotes superior credit quality. Excellent protection is afforded by the
erm credit strength of the liquidity provider and structural and legal protections that
ly payment of purchase price upon demand. VMIG 2 This designation denotes strong
Good protection is afforded by the strong short-term credit strength of the liquidity
ructural and legal protections that ensure the timely payment of purchase price upon
G 3 This designation denotes acceptable credit quality. Adequate protection is
satisfactory short-term credit strength of the liquidity provider and structural and
ns that ensure the timely payment of purchase price upon demand. SG This
notes speculative-grade credit quality. Demand features rated in this category may
liquidity provider that does not have an investment grade short-term rating or may
ral and/or legal protections necessary to ensure the timely payment of purchase price
COMMERCIAL PAPER Moody's short-term ratings are opinions of the ability of
r short-term financial obligations. Ratings may be assigned to issuers, short-term
individual short-term debt instruments. Such obligations generally have an original
ceeding thirteen months, unless explicitly noted. Moody's employs the following
indicate the relative repayment ability of rated issuers: P-1 Issuers (or supporting
ed Prime-1 have a superior ability to repay short-term debt obligations. P-2 Issuers
institutions) rated Prime-2 have a strong ability to repay short-term debt obligations.
s (or supporting institutions) rated Prime-3 have an acceptable ability to repay
gations. NP Issuers (or supporting institutions) rated Not Prime do not fall within any
ting categories. Note: Canadian issuers rated P-1 or P-2 have their short-term ratings
e senior-most long-term rating of the issuer, its guarantor or support-provider. Fitch
s, Inc.-- A brief description of the applicable Fitch Rating Services, Inc. ("Fitch")
s and meanings (as published by Fitch) follows: LONG-TERM CREDIT RATINGS
ong-Term Credit Ratings are more commonly referred to as simply "Long-Term
following scale applies to foreign currency and local currency ratings. International
ssess the capacity to meet foreign or local currency commitments. Both foreign and
ratings are internationally comparable assessments. The local currency rating
robability of payment only within the sovereign state's currency and jurisdiction.
credit quality. 'AAA' ratings denote the lowest expectation of credit risk. They are
n case of exceptionally strong capacity for timely payment of financial commitments.

s highly unlikely to be adversely affected by foreseeable events. AA Very high credit
tings denote a very low expectation of credit risk. They indicate very strong capacity
nent of financial commitments. This capacity is not significantly vulnerable to
nts. A High credit quality. 'A' ratings denote a low expectation of credit risk. The
nely payment of financial commitments is considered strong. This capacity may,
e more vulnerable to changes in circumstances or in economic conditions than is the
ratings. A-10 BBB Good credit quality. 'BBB' ratings indicate that there is currently
on of credit risk. The capacity for timely payment of financial commitments is
quate, but adverse changes in circumstances and in economic conditions are more
this capacity. This is the lowest investment-grade category. BB Speculative. 'BB'
that there is a possibility of credit risk developing, particularly as the result of
nic change over time; however, business or financial alternatives may be available to
commitments to be met. Securities rated in this category are not investment grade. B
tive. 'B' ratings indicate that significant credit risk is present, but a limited margin of
Financial commitments are currently being met; however, capacity for continued
tingent upon a sustained, favorable business and economic environment. CCC, CC, C
sk. Default is a real possibility. Capacity for meeting financial commitments is solely
stained, favorable business or economic developments. A 'CC' rating indicates that
kind appears probable. 'C' ratings signal imminent default. DDD, DD, D Default.
bligations in this category are based on their prospects for achieving partial or full
eorganization or liquidation of the obligor. While expected recovery values are highly
cannot be estimated with any precision, the following serve as general guidelines.
ons have the highest potential for recovery, around 90%-100% of outstanding
ccrued interest. 'DD' indicates potential recoveries in the range of 50%-90% and 'D'
very potential, i.e., below 50%. Entities rated in this category have defaulted on some
bligations. Entities rated 'DDD' have the highest prospect for resumption of
continued operation with or without a formal reorganization process. Entities rated
e generally undergoing a formal reorganization or liquidation process; those rated
to satisfy a higher portion of their outstanding obligations, while entities rated 'D'
ospect of repaying all obligations. A-11 SHORT-TERM CREDIT RATINGS
hort-Term Credit Ratings are more commonly referred to as simply "Short-Term
ollowing scale applies to foreign currency and local currency ratings. A short-term
e horizon of less than 12 months for most obligations, or up to three years for U.S.
securities, and thus places greater emphasis on the liquidity necessary to meet
nitments in a timely manner. International credit ratings assess the capacity to meet
currency commitments. Both foreign and local currency ratings are internationally
essments. The local currency rating measures the probability of payment only within
tate's currency and jurisdiction. F1 Highest credit quality. Indicates the strongest
nely payment of financial commitments; may have an added "+" to denote any
trong credit feature. F2 Good credit quality. A satisfactory capacity for timely
ancial commitments, but the margin of safety is not as great as in the case of the
F3 Fair credit quality. The capacity for timely payment of financial commitments is
ever, near-term adverse changes could result in a reduction to non-investment grade.
Minimal capacity for timely payment of financial commitments, plus vulnerability to
rse changes in financial and economic conditions. C High default risk. Default is a
Capacity for meeting financial commitments is solely reliant upon a sustained,
ess and economic environment. D Default. Denotes actual or imminent payment
Notes to Long-term and Short-term ratings: "+" or "-" may be appended to a rating to
status within major rating categories. Such suffixes are not added to the 'AAA'
ng category, to categories below 'CCC,' or to Short-term ratings other than 'F1'. 'NR'
itch does not rate the issuer or issue in question. 'Withdrawn': A rating is withdrawn

ms the amount of information available to be inadequate for rating purposes, or when
natures, is called, or refinanced. Rating Watch: Ratings are placed on Rating Watch to
s that there is a reasonable probability of a rating change and the likely direction of
hese are designated as "Positive," indicating a potential upgrade, "Negative," for a
grade, or "Evolving," if ratings may be raised, lowered or maintained. Rating Watch
olved over a relatively short period. A Rating Outlook indicates the direction a rating
ve over a one to two year period. Outlooks may be positive, stable, or negative. A
ative Rating Outlook does not imply a rating change is inevitable. Similarly, ratings
ooks are 'stable' could be downgraded before an outlook moves to positive or negative
es warrant such an action. Occasionally, Fitch may be unable to identify the
end. In these cases, the Rating Outlook may be described as evolving. A-13
ENERGY INCOME PARTNERS, LLC PROXY VOTING POLICIES AND
S If an adviser exercises voting authority with respect to client securities, Advisers
)-6 requires the adviser to adopt and implement written policies and procedures
igned to ensure that client securities are voted in the best interest of the client. This is
legal interpretations which hold that an adviser's fiduciary duty includes handling the
es on securities held in client accounts over which the adviser exercises investment or
on, in a manner consistent with the best interest of the client. Absent unusual
EIP exercises voting authority with respect to securities held in client accounts
visions in its advisory agreements. Accordingly, EIP has adopted these policies and
h the aim of meeting the following requirements of Rule 206(4)-6: o ensuring that
ed in the best interest of clients; o addressing material conflicts that may arise
interests and those of its clients in the voting of proxies; o disclosing to clients how
n information on how EIP voted proxies with respect to the client's securities; and o
lients EIP's proxy voting policies and procedures and, upon request, furnishing a copy
and procedures to the requesting client. ENGAGEMENT OF INSTITUTIONAL
ER SERVICES INC. Group With the aim of ensuring that proxies are voted in the
EIP clients, EIP has engaged Institutional Shareholder Services Inc. ("ISS"),
n as RiskMetrics Group, as its independent proxy voting service to provide EIP with
ecommendations, as well as to handle the administrative mechanics of proxy voting.
d ISS to utilize its Proxy Voting Guidelines in making recommendations to vote, as
s may be amended from time to time. B-1 Conflicts of Interest in Proxy Voting There
es where EIP's interests conflict, or appear to conflict, with client interests in the
es. For example, EIP may provide services to, or have an investor who is a senior
ompany whose management is soliciting proxies. There may be a concern that EIP
favor of management because of its relationship with the company or a senior officer.
e, EIP (or its senior executive officers) may have business or personal relationships
directors or candidates for directorship. EIP addresses these conflicts or appearances
ensuring that proxies are voted in accordance with the recommendations made by
ndent third party proxy voting service. As previously noted, in most cases, proxies
n accordance with ISS's own pre-existing proxy voting guidelines. Disclosure on How
Voted EIP will disclose to clients in its Form ADV how clients can obtain information
roxies were voted, by contacting EIP at its office in Westport, CT. EIP will also
ADV a summary of these proxy voting policies and procedures and that upon
will be furnished a full copy of these policies and procedures. It is the responsibility
ensure that any requests made by clients for proxy voting information are responded
ashion and that a record of requests and responses are maintained in EIP's books and
Materials EIP personnel will instruct custodians to forward to ISS all proxy materials
urities held in EIP client accounts. Limitations In certain circumstances, where EIP
that it is consistent with the client's best interest, EIP will not take steps to ensure
voted on securities in the client's account. The following are circumstances where

: * Limited Value: Proxies will not be required to be voted on securities in a client's
value of the client's economic interest in the securities is indeterminable or
ess than $1,000). Proxies will also not be required to be voted for any securities that
eld by the client's account. * Securities Lending Program: When securities are out on
ransferred into the borrower's name and are voted by the borrower, in its discretion.
EIP will not take steps to see that loaned securities are voted. However, where EIP
: a proxy vote, or other shareholder action, is materially important to the client's
ill make a good faith effort to recall the security for purposes of voting,
that in certain cases, B-2 the attempt to recall the security may not be effective in
deadlines to be met. * Unjustifiable Costs: In certain circumstances, after doing a
alysis, EIP may choose not to vote where the cost of voting a client's proxy would
icipated benefits to the client of the proxy proposal. OVERSIGHT OF POLICY The
sible for overseeing these proxy voting policies and procedures. In addition, the CCO
se policies and procedures not less than annually with a view to determining whether
tation has been effective and that they are operating as intended and in such a fashion
ng EIP's compliance with all applicable requirements. RECORDKEEPING ON
the responsibility of EIP's CCO to ensure that the following proxy voting records are
ı copy of EIP's proxy voting policies and procedures; o a copy of all proxy statements
curities in client accounts (EIP may rely on ISS or the SEC's EDGAR system to
uirement); o a record of each vote cast on behalf of a client (EIP relies on ISS to
uirement); o a copy of any document prepared by EIP that was material to making a
or that memorializes the basis for that decision; o a copy of each written client
ormation on how proxies were voted on the client's behalf or for a copy of EIP's proxy
and procedures; and o a copy of any written response to any client request for
how proxies were voted on their behalf or furnishing a copy of EIP's proxy voting
ocedures. The CCO will see that these books and records are made and maintained in
h the requirements and time periods provided in Rule 204-2 of the Advisers Act. For
nvestment companies advised by EIP, votes made on its behalf will be stored
r otherwise recorded so that they are available for preparation of the Form N-PX,
of Proxy Voting Record of Registered Management Investment Company. B-3