

# Edgar Filing: ENERGY INCOME & GROWTH FUND - Form 497

## ENERGY INCOME & GROWTH FUND

Form 497

April 30, 2010

Filed pursuant to Rule 497(c) and (h) under  
the Securities Act of 1933, as Amended  
File no. 333-154254

Prospectus Supplement  
(To Prospectus dated April 9, 2010)

Energy Income and Growth Fund  
1,700,000 Common Shares

Energy Income and Growth Fund (the "Fund") is offering 1,700,000 of its common shares of beneficial interest, par value \$0.01 per share, pursuant to this prospectus supplement and the accompanying prospectus dated April 9, 2010 ("Common Shares"). The Fund is a non-diversified, closed-end management investment company which commenced investment operations in June 2004. The Fund's investment objective is to seek a high level of after-tax total return with an emphasis on current distributions paid to shareholders. The Fund seeks to provide its common shareholders with an efficient vehicle to invest in a portfolio of cash-generating securities of publicly traded master limited partnerships ("MLPs") and related public entities in the energy sector. This prospectus supplement, together with the accompanying prospectus, sets forth the information that you should know before investing.

The Fund's currently outstanding common shares of beneficial interest are, and the Common Shares offered by this prospectus supplement and accompanying prospectus, subject to notice of issuance, will be, listed on the NYSE Amex (formerly the American Stock Exchange) under the symbol "FEN." The last reported sale price of the Fund's common shares on April 28, 2010 was \$25.58 per share. The net asset value per share of the Fund's common shares at the close of business on April 28, 2010 was \$22.69.

This investment involves risks. See "Risks" beginning on page 37 of the accompanying prospectus. You should consider carefully these risks together with all of the other information contained in this prospectus supplement and the accompanying prospectus before making a decision to purchase any Common Shares.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	\$24.200	\$41,140,000
Underwriting discount (1)	\$0.968	\$1,645,600
Proceeds, before expenses, to us (2)	\$23.232	\$39,494,400

-----  
(1) The Fund has also agreed to reimburse the underwriters for certain out-of-pocket legal expenses incurred by them up to an aggregate of \$60,000 with respect to this offering.

(2) The aggregate offering expenses, including expenses agreed to be paid by the Fund in footnote (1) above, are estimated to be approximately \$200,000, all of which will be borne by the Fund.

The underwriters may also purchase up to an additional 255,000 Common Shares at the public offering price, less the underwriting discount to cover

## Edgar Filing: ENERGY INCOME & GROWTH FUND - Form 497

over-allotments, if any, within 30 days from the date of this prospectus supplement. If the underwriters exercise the option in full, the total public offering price will be \$47,311,000, the total underwriting discount will be \$1,892,440, and the total proceeds, before expenses, to the Fund will be \$45,418,560.

The underwriters are offering the Common Shares as set forth under "Underwriting" beginning on page S-9 of this prospectus supplement. Delivery of the Common Shares is expected to be made on or about May 5, 2010.

Sole Book-Running Manager  
RBC Capital Markets

Oppenheimer & Co.

### Co-Managers

BB&T Capital Markets,  
a division of Scott & Stringfellow, LLC

Janney Montgomery Scott

Ladenburg Th

Maxim Group LLC

Wedbush Securities Inc.

Wund

Prospectus Supplement dated April 30, 2010

This prospectus supplement, together with the accompanying prospectus and the SAI, as defined below, sets forth concisely the information that you should know before investing. You should read the prospectus supplement and accompanying prospectus, which contains important information about the Fund, before deciding whether to invest in the Common Shares. The Statement of Additional Information (the "SAI"), dated April 9, 2010, containing additional information about the Fund, has been filed with the Securities and Exchange Commission (the "SEC") and is incorporated by reference in its entirety into this prospectus supplement and the accompanying prospectus. This prospectus supplement, the accompanying prospectus and the SAI are part of a "shelf" registration statement on Form N-2 (the "Registration Statement") that the Fund filed with the SEC. This prospectus supplement describes the specific details regarding this offering, including the method of distribution. If information in this prospectus supplement is inconsistent with the accompanying prospectus or the SAI, you should rely on this prospectus supplement. You may request a free copy of the SAI, the table of contents of which is on page 66 of the accompanying prospectus, annual and semi-annual reports to shareholders, and other information about the Fund, and make shareholder inquiries by calling (800) 988-5891, by writing to the Fund or from the Fund's or the Advisor's (as defined herein) website (<http://www.ftportfolios.com>). Please note that the information contained in the Fund's or the Advisor's website, whether currently posted or posted in the future, is not part of this prospectus supplement, the accompanying prospectus or the documents incorporated by reference in this prospectus supplement and the accompanying prospectus. You also may obtain a copy of the SAI (and other information regarding the Fund) from the SEC's website (<http://www.sec.gov>).

# Edgar Filing: ENERGY INCOME & GROWTH FUND - Form 497

## TABLE OF CONTENTS

	PAGE
PROSPECTUS SUPPLEMENT	
PROSPECTUS SUPPLEMENT SUMMARY.....	S-1
SUMMARY OF FUND EXPENSES.....	S-1
CAPITALIZATION.....	S-1
MARKET AND NET ASSET VALUE INFORMATION.....	S-1
USE OF PROCEEDS.....	S-1
UNDERWRITING.....	S-1
EXPERTS .....	S-1
LEGAL MATTERS.....	S-1
AVAILABLE INFORMATION.....	S-1
INDEX TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED NOVEMBER 30, 2009.....	F-1

PROSPECTUS	
PROSPECTUS SUMMARY.....	1
SUMMARY OF FUND EXPENSES.....	2
FINANCIAL HIGHLIGHTS.....	2
SENIOR SECURITIES.....	2
MARKET AND NET ASSET VALUE INFORMATION.....	2
THE FUND.....	2
USE OF PROCEEDS.....	2
THE FUND'S INVESTMENTS.....	2
USE OF FINANCIAL LEVERAGE.....	3
RISKS 37	
MANAGEMENT OF THE FUND.....	5
NET ASSET VALUE.....	5
DISTRIBUTIONS.....	5
DIVIDEND REINVESTMENT PLAN.....	5
PLAN OF DISTRIBUTION.....	5
DESCRIPTION OF SHARES.....	5
CERTAIN PROVISIONS IN THE DECLARATION OF TRUST AND BY-LAWS.....	5
STRUCTURE OF THE FUND; COMMON SHARE REPURCHASES AND CHANGE IN FUND STRUCTURE.....	5
TAX MATTERS.....	6
CORPORATE FINANCE SERVICES AND CONSULTING FEE.....	6
CUSTODIAN, ADMINISTRATOR AND TRANSFER AGENT.....	6
LEGAL OPINIONS.....	6
TABLE OF CONTENTS FOR THE STATEMENT OF ADDITIONAL INFORMATION.....	6

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus in making your investment decision. The Fund has not authorized any person to provide you with different or inconsistent information. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus supplement and the accompanying prospectus do not constitute an offer to sell or solicitation of an offer to buy any securities in any jurisdiction where the offer or sale is not permitted. The information appearing in this prospectus supplement and in the accompanying prospectus is accurate only as of the dates on their covers or the dates of such information, as applicable. The Fund's business, financial condition and prospects may have changed since such dates.

- ii -

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

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

Although the Fund believes that the expectations expressed in any forward-looking statements are reasonable, actual results could differ materially from those expressed or implied in such forward-looking statements. The Fund's future financial condition and results of operations, as well as any forward-looking statements, are subject to change and are subject to inherent risks and uncertainties, such as those disclosed in the "Risks" section of the accompanying prospectus. You are cautioned not to place undue reliance on these forward-looking statements. All forward-looking statements contained or incorporated by reference in this prospectus supplement or the accompanying prospectus are made as of the date of this prospectus supplement or the accompanying prospectus, as the case may be. Except for the Fund's ongoing obligations under the federal securities laws, the Fund does not intend, and the Fund undertakes no obligation, to update any forward-looking statement. The forward-looking statements contained in this prospectus supplement, the accompanying prospectus and the SAI are excluded from the safe harbor protection provided by section 27A of the Securities Act of 1933, as amended (the "Securities Act").

Currently known risk factors that could cause actual results to differ materially from the Fund's expectations include, but are not limited to, the factors described in the "Risks" section of the accompanying prospectus. The Fund urges you to review carefully this section for a more detailed discussion of the risks of an investment in its securities.

- iii -

PROSPECTUS SUPPLEMENT SUMMARY

The following summary contains basic information about the Fund and the securities offered hereby. It is not complete and may not contain all of the information you may want to consider. You should review the more detailed information contained in this prospectus supplement and in the accompanying prospectus and in the SAI, especially the information set forth under the heading "Risks" beginning on page 37 of the accompanying prospectus.

The Fund

## Edgar Filing: ENERGY INCOME & GROWTH FUND - Form 497

Energy Income and Growth Fund is a non-diversified, closed-end management investment company. The Fund's investment objective is to seek a high level of after-tax total return with an emphasis on current distributions paid to shareholders. The Fund seeks to provide its common shareholders with an efficient vehicle to invest in a portfolio of cash-generating securities of publicly traded MLPs and related public entities in the energy sector. The Fund commenced operations upon completion of its initial public offering of common shares in June 2004, raising approximately \$122 million in equity after the payment of offering expenses. As of April 28, 2010, the Fund had 7,609,755 common shares outstanding and net assets applicable to common shares of approximately \$172.7 million.

### Investment Advisor and Sub-Advisor

First Trust Advisors L.P. ("First Trust Advisors" or the "Advisor") is the Fund's investment advisor, responsible for supervising the Fund's sub-advisor, monitoring the Fund's investment portfolio, managing the Fund's business affairs and providing certain clerical and bookkeeping and other administrative services. The Advisor, in consultation with the Fund's sub-advisor, is also responsible for determining the Fund's overall investment strategy and overseeing its implementation. Energy Income Partners, LLC ("Energy Income Partners" or the "Sub-Advisor") is the Fund's sub-advisor and is primarily responsible for the day-to-day supervision and investment strategy of the Fund.

First Trust Advisors, a registered investment advisor, is an Illinois limited partnership formed in 1991. First Trust Advisors serves as investment advisor or portfolio supervisor to investment portfolios with approximately \$30 billion in assets which it managed or supervised as of March 31, 2010.

Energy Income Partners is a Delaware limited liability company and a registered investment advisor, which provides professional asset management services in the area of energy-related MLPs, and other high-payout securities. Founded in 2003, Energy Income Partners serves as investment advisor to investment portfolios with approximately \$433 million in assets among three separate funds which it managed as of March 31, 2010.

Pursuant to an investment management agreement between First Trust Advisors and the Fund, the Fund pays an annual management fee for the services and facilities provided by First Trust Advisors, payable on a monthly basis, equal to 1.00% of the Fund's Managed Assets. For purposes of calculation of the management fee, the Fund's "Managed Assets" means the average daily gross asset value of the Fund (which includes assets attributable to the Fund's leverage), minus the sum of the Fund's accrued and unpaid dividends on any outstanding preferred shares and accrued liabilities (other than debt representing leverage).

The Sub-Advisor receives a portfolio management fee equal to 0.50% of the Fund's Managed Assets. The Sub-Advisor's fee is paid by the Advisor out of the Advisor's management fee. See "Management of the Fund" on page 50 of the accompanying prospectus.

### Investment in Sub-Advisor Entities

First Trust Portfolios L.P., an affiliate of the Advisor, is in negotiations to purchase, through one or more affiliates or wholly-owned subsidiaries, up to a 20% ownership interest in each of the Sub-Advisor and EIP Partners, LLC, a Delaware limited liability company and affiliate of the Sub-Advisor. The completion of these transactions are subject to a number of conditions, including entering into definitive agreements with regard to each transaction and closing of such transactions contemporaneously. There can be no

## Edgar Filing: ENERGY INCOME & GROWTH FUND - Form 497

assurance that the transactions will be completed.

S-1

### Portfolio Investments

The Fund's investments consist of equity and/or debt securities issued by energy companies and energy sector MLPs and MLP-related entities. The companies in which the Fund invests are generally involved in the business of transporting, processing, storing, distributing or marketing natural gas, natural gas liquids (including propane), crude oil, refined petroleum products, coal or electricity, or exploring, developing, managing or producing such commodities or products, or in supplying energy-related products and services.

Under normal market conditions, as a non-fundamental policy, the Fund invests at least 85% of its Managed Assets (including assets obtained through leverage) in securities of energy companies and energy sector MLPs and MLP-related entities, and invests at least 65% of its Managed Assets in equity securities of such MLPs and MLP-related entities.

The Fund has adopted the following additional non-fundamental investment policies:

- o The Fund may invest up to 35% of its Managed Assets in unregistered or otherwise restricted securities (including up to 10% of its Managed Assets in securities issued by private companies). The types of unregistered or otherwise restricted securities that the Fund may purchase consist of MLP common units, MLP subordinated units and securities of public and private energy companies.
- o The Fund may invest up to 25% of its Managed Assets in debt securities of energy companies, MLPs and MLP-related entities, including below investment grade securities, which are commonly referred to as "junk bonds." Below investment grade debt securities will be rated at least "B3" by Moody's Investors Service, Inc. and at least "B-" by Standard & Poor's Ratings Group at the time of purchase, or comparably rated by another nationally recognized statistical rating organization or, if unrated, determined to be of comparable quality by the Sub-Advisor.
- o The Fund will not invest more than 10% of its Managed Assets in any single issuer.
- o The Fund will not engage in short sales, except to the extent the Fund engages in derivative investments to seek to hedge against interest rate risk in connection with the Fund's use of financial leverage or market risks associated with the Fund's portfolio.
- o The Fund may invest up to 15% of its Managed Assets in non-U.S. securities as well as hedge the currency risk of the non-U.S. securities using derivative instruments.

To generate additional income, the Fund writes (or sells) covered call options on the common stock of energy companies held in the Fund's portfolio.

## Edgar Filing: ENERGY INCOME & GROWTH FUND - Form 497

See "The Fund's Investments" beginning on page 28 of the accompanying prospectus.

As of March 31, 2010, the Fund's top 10 holdings by issuer were:

Name	Percentage of Total Investments*
-----	-----
Magellan Midstream Partners, L.P.	9.4%
Enterprise Products Partners, L.P.	6.9
Plains All American Pipeline, L.P.	6.2
NuStar Energy, L.P.	5.2
Kinder Morgan Energy Partners, L.P.	5.0
ONEOK Partners, L.P.	4.0
Kinder Morgan Management, LLC.	3.9
William Cos., Inc.	3.9
Enterprise GP Holdings, L.P.	3.7
UGI Corp.	3.7
	-----
Total	51.9%

\* As of March 31, 2010, the value of the Fund's investment portfolio was \$268,074,694.

S-2

### Recent Equity Sales

In February 2010, the Fund sold 805,000 Fund common shares in an underwritten public offering. Net proceeds of the offering were used to acquire portfolio securities in accordance with the Fund's investment objective and policies and for general corporate purposes.

On May 19, 2009, the Fund entered into an equity sales agreement with a registered broker-dealer, whereby the Fund may offer and sell up to 1,000,000 of the Fund's common shares from time to time through such broker-dealer, as agent for the offer and sale of the Fund's common shares (the "Equity Sales Agreement"). Under the Equity Sales Agreement, upon written instructions from the Fund, the broker-dealer has agreed to use its commercially reasonable efforts to sell, as agent for the Fund, Fund common shares by means of ordinary brokers' transactions on the NYSE Amex at market prices prevailing at the time of the sale or at negotiated prices. While the Equity Sales Agreement contemplates an offering of up to 1,000,000 common shares, the precise number of common shares to be sold will depend primarily on future market conditions. The Fund will suspend sales of common shares under the Equity Sales Agreement during the offering of the Common Shares and may resume sales on the 45th day following the date of the prospectus supplement, which 45-day period may be extended in the event the Fund, during the last 17 days of such period, issues an earnings release or material news or a material event relating to the Fund, the Advisor or the Sub-Advisor occurs. See "Underwriting" beginning on page S-9. As of April 28, 2010, the Fund had sold 259,962 common shares pursuant to the Equity Sales Agreement.

### Financial Leverage

The Fund has entered into a \$70,000,000 committed facility agreement

## Edgar Filing: ENERGY INCOME & GROWTH FUND - Form 497

with BNP Paribas Prime Brokerage Inc. (the "Commitment Facility"). As of April 20, 2010, the principal amount of borrowings under the Commitment Facility was \$61,300,000, representing approximately 25.7% of the Fund's Managed Assets. As of April 20, 2010, the Fund had \$8,700,000 of unutilized funds available for borrowing under the Commitment Facility. Outstanding balances under the Commitment Facility generally accrue interest at a variable annual rate equal to the three-month LIBOR plus 1.50%. As of April 20, 2010, the rate was 1.80%. The Commitment Facility also has an annual unused fee of 0.80% on the unutilized funds available for borrowing. The total annual interest and fee rate as of April 20, 2010 was 1.68%, based on the total commitment of \$70,000,000. Assuming that the Fund's leverage costs remain as described above (at an assumed average annual cost of 1.68%) and leverage as a percentage of the Fund's Managed Assets remains at 25.7%, the annual return that the Fund's portfolio must experience (net of expenses) in order to cover its leverage costs would be 0.49%.

Adjusted to reflect the impact of 1,700,000 Common Shares issued in the offering contemplated by this prospectus supplement and accompanying prospectus and an anticipated leverage percentage of approximately 26.9% of the Fund's Managed Assets, the total annual interest and fee rate as of April 20, 2010 would be 1.80% and the annual return that the Fund's portfolio must experience (net of expenses) in order to cover its leverage costs would be 0.49%. The following table is designed to illustrate the effect of leverage on common share total return after the issuance of Common Shares contemplated by this prospectus supplement and accompanying prospectus, assuming investment portfolio total returns (comprised of income and changes in the value of securities held in the Fund's portfolio) of (10%), (5%), 0%, 5% and 10%. These assumed investment portfolio returns are hypothetical figures and are not necessarily indicative of the investment portfolio returns experienced or expected to be experienced by the Fund. See "Risks - Leverage Risk", beginning on page 42 of the accompanying prospectus. The table further assumes leverage representing 26.9% of the Fund's Managed Assets, net of expenses, and the Fund's current annual leverage interest and fee rate of 1.80%. Prior approval from the Commitment Facility lender will be required for borrowings above \$70,000,000 under the Commitment Facility. There is no assurance that such approval will be obtained.

Assumed Portfolio Total Return (Net of Expenses).....	-10%	-5%	0%	5%
Common Share Total Return.....	-14.35%	-7.51%	-0.66%	6.18%

### Distributions

The Fund has paid distributions to common shareholders every quarter since inception. Payment of future distributions is subject to approval by the Fund's Board of Trustees, as well as meeting the covenants of any senior debt and the asset coverage requirements of the Investment Company Act of 1940, as amended (the "1940 Act"), including covenants contained in the Commitment Facility. The Fund's next regularly scheduled quarterly distribution will be for the quarter ending July 31, 2010 and, if approved by the Board of Trustees, will be paid to common shareholders on or about July 30, 2010. The distributions the Fund has paid since inception are as follows:



## Edgar Filing: ENERGY INCOME & GROWTH FUND - Form 497

Payment Date	Distribution Per Share (\$)
October 29, 2004	0.3250
January 31, 2005	0.3300
April 29, 2005	0.3300
July 29, 2005	0.3300
October 31, 2005	0.3350
January 31, 2006	0.3350
April 28, 2006	0.3400
July 31, 2006	0.3450
October 31, 2006	0.3550
January 31, 2007	0.3750
April 30, 2007	0.3800
July 31, 2007	0.3850
October 31, 2007	0.3850
January 31, 2008	0.3850
April 30, 2008	0.3950
July 31, 2008	0.4400
October 31, 2008	0.4400
January 30, 2009	0.4400
April 30, 2009	0.4400
July 31, 2009	0.4400
October 30, 2009	0.4400
January 29, 2010	0.4400
April 30, 2010	0.4450*

---

\* The Common Shares offered hereby will not be entitled to receive such distribution.

### The Offering

Common Shares offered 1,700,000 shares(1)

Fund common shares outstanding after this offering 9,309,755 shares(1)

Use of proceeds The Fund estimates that the net proceeds from this offering after expenses without exercise of the overallotment option will be approximately \$39.3 million.(2) The Fund intends to use these net proceeds to acquire portfolio securities in pursuit of its investment objective and policies and for general corporate purposes. See "Use of Proceeds" on page S-9.

Risk factors See the section entitled "Risks" and other information included in the accompanying prospectus for a discussion of factors you should carefully consider before deciding to invest in the Common Shares.

NYSE Amex symbol "FEN"

- 
- (1) The number of common shares of the Fund outstanding after the offering assumes the underwriters' over-allotment option is not exercised. If the over-allotment option is exercised in full, the Fund will issue and sell an additional 255,000 Common Shares.
  - (2) If the over-allotment option is exercised in full, the Fund estimates that the net proceeds from this offering after expenses will be approximately \$45.2 million.

S-4

## SUMMARY OF FUND EXPENSES

The following table contains information about the costs and expenses that common shareholders will bear directly or indirectly. In accordance with SEC requirements, the table below shows the Fund's expenses, including leverage costs, as a percentage of the Fund's net assets as of April 20, 2010. As of that date, the Fund had \$61,300,000 of leverage outstanding pursuant to the Commitment Facility. Such leverage represented 25.7% of Managed Assets as of April 20, 2010. Additionally, the following table and example contain information assuming the issuance of the 1,700,000 Common Shares offered hereby and anticipated leverage of \$80,000,000, or 26.9% of the Fund's Managed Assets.

## Shareholder Transaction Expenses:

Underwriting Discount (as a percentage of offering price) (1).....	4.00%
Offering Expenses Borne by the Fund (as a percentage of offering price).....	0.11%
Dividend Reinvestment Plan Fees.....	None (2)

Percentage of Net Assets Attributable to Common Shareholders at April 20, 2010 (25.7% Leverage Outstanding as of April 20, 2010)	A Sh 2 Le
---	--------------------

## Annual Expenses:

Management Fees (3).....	1.35%
Interest and Fees on Leverage (4).....	0.67%
Offering Costs (5).....	0.25%
Other Expenses (exclusive of current and deferred income tax expense (benefit)) (6).....	0.47%
	-----
Total Annual Expenses.....	2.74%
Fee and Expense Reimbursement.....	-
	-----
Total Net Annual Expenses.....	2.74%
	=====

The purpose of the tables above and the example below is to help you understand all fees and expenses that you, as a holder of Common Shares, would bear directly or indirectly. The following example illustrates the expenses that you would pay on a \$1,000 investment in Common Shares, assuming: (i) an underwriting discount of 4.00% and offering expenses of 0.11% of the offering price, (ii) total annual expenses of 2.52% of net assets attributable to common

## Edgar Filing: ENERGY INCOME & GROWTH FUND - Form 497

shares through year 10 (excluding deferred income tax expense (benefit)), (iii) a 5% annual return and (iv) all distributions are reinvested at net asset value. (1)

1 Year	3 Years	5 Years	10 Years
\$66	\$116	\$170	\$315

- 
- (1) The example should not be considered a representation of future expenses. The example assumes that the estimated "Other Expenses" set forth in the Annual Expenses table are accurate, that all dividends and distributions are reinvested at net asset value and that the Fund is engaged in leverage of 26.9% of Managed Assets, assuming interest and fees on leverage of 1.80%. The interest and fees on leverage is expressed as an interest rate and represents interest and fees payable on its current credit facility. Actual expenses may be greater or less than those shown. Moreover, the Fund's actual rate of return may be greater or less than the hypothetical 5% return shown in the example.

S-6

### CAPITALIZATION

The following table sets forth the Fund's capitalization at April 20, 2010:

- o on a historical basis; and
- o as adjusted to reflect (1) the issuance of 1,700,000 Common Shares at \$24.20 per share, in the offering contemplated by this prospectus supplement, after deducting the underwriting discount of \$1,645,600 and offering expenses payable by the Fund of approximately \$200,000 and (2) an adjusted leverage percentage of approximately 26.9% of the Fund's Managed Assets.

	Actual	As Adj
	<hr/>	<hr/>
Borrowings	\$61,300,000	\$80
	<hr/>	<hr/>
Shareholders' equity		
Common Shares, \$0.01 par value per share, unlimited shares authorized, 7,609,755 shares outstanding (actual) and 9,309,755 shares outstanding (as adjusted)	124,146,049	163
Accumulated net investment income (loss), net of income taxes	(17,820,502)	(17
Accumulated net realized gain (loss) on investments and written options, net of income taxes	2,399,720	2
Net unrealized appreciation (depreciation) of investments and written options, net of income taxes	68,883,665	68

# Edgar Filing: ENERGY INCOME & GROWTH FUND - Form 497

Net assets applicable to common shareholders	177,608,932	216
Total Capitalization	\$238,908,932	\$296

S-7

## MARKET AND NET ASSET VALUE INFORMATION

The Fund's currently outstanding common shares are, and the Common Shares offered by this prospectus supplement and accompanying prospectus, subject to notice of issuance, will be, listed on the NYSE Amex. The Fund's common shares commenced trading on the NYSE Amex (formerly the American Stock Exchange) on June 25, 2004.

The Fund's common shares have traded both at a premium and at a discount in relation to net asset value. Shares of closed-end investment companies frequently trade at a discount from net asset value. The Fund's issuance of the Common Shares or additional common shares may have an adverse effect on prices in the secondary market for the Fund's common shares by increasing the number of common shares available, which may put downward pressure on the market price for the Fund's common shares. The continued development of alternatives as vehicles for investing in a portfolio of energy infrastructure MLPs, including other publicly traded investment companies and private funds, may reduce or eliminate any tendency of the Fund's common shares to trade at a premium in the future. See "Risks - Market Discount From Net Asset Value," beginning on page 49 of the accompanying prospectus.

The following table sets forth for each of the periods indicated the high and low closing market prices for common shares of the Fund on the NYSE Amex (formerly the American Stock Exchange), and the corresponding net asset value per share and the premium or discount to net asset value per share at which the Fund's common shares were trading. Net asset value is determined daily as of the close of regular trading on the NYSE (normally 4:00 p.m. eastern time). Prior to August 1, 2008, net asset value was determined on each Friday and as of the end of each month. See "Net Asset Value" on page 52 of the accompanying prospectus for information as to the determination of the Fund's net asset value.

	MARKET PRICE (1)		NET ASSET VALUE (2)		PREMIUM/ TO NET A
Quarter Ended	High	Low	High	Low	High
March 31, 2008.....	\$24.60	\$21.16	\$26.18	\$24.49	(6.04) %
June 30, 2008.....	\$25.80	\$22.36	\$25.46	\$23.91	1.34%
September 30, 2008.....	\$23.33	\$18.26	\$22.18	\$20.71	5.18%
December 31, 2008.....	\$20.20	\$11.21	\$19.14	\$12.71	5.54%
March 31, 2009.....	\$19.04	\$14.02	\$15.89	\$13.76	19.82%
June 30, 2009.....	\$20.75	\$16.83	\$18.04	\$15.95	15.02%
September 30, 2009.....	\$22.31	\$18.40	\$18.48	\$16.95	20.73%

## Edgar Filing: ENERGY INCOME & GROWTH FUND - Form 497

December 31, 2009.....	\$25.20	\$21.17	\$21.00	\$19.69	20.00%
March 31, 2010.....	\$24.59	\$21.69	\$22.64	\$21.03	8.61%

The last reported sale price, net asset value per share and percentage premium to net asset value per share of the common shares as of April 28, 2010 were \$25.58, \$22.69 and 12.74%, respectively. As of April 28, 2010, the Fund had 7,609,755 common shares outstanding and Managed Assets of the Fund were \$237,488,393.

S-8

### USE OF PROCEEDS

The Fund estimates that the net proceeds from this offering will be approximately \$39.3 million, after deducting the underwriting discount and estimated offering expenses payable by the Fund. If the underwriters exercise their over-allotment option in full, the Fund estimates that net proceeds from this offering will be approximately \$45.2 million, after deducting the underwriting discount and estimated offering expenses payable by the Fund.

The Fund intends to use the net proceeds of this offering to acquire portfolio securities in accordance with its investment objective and policies and for general corporate purposes. Pending such investments, the Fund anticipates either investing the proceeds in short-term securities issued by the U.S. government or its agencies or instrumentalities or in high quality, short-term or long-term debt obligations or money market instruments. A delay in the anticipated use of proceeds could lower returns and reduce the Fund's distribution to common shareholders.

### UNDERWRITING

RBC Capital Markets Corporation is acting as the representative of the underwriters of this offering. Under the terms of an underwriting agreement dated the date of this prospectus supplement, the underwriters set forth below have agreed to purchase from the Fund the number of Common Shares set forth opposite their name.

Name	Number of Common Shares
RBC Capital Markets Corporation .....	453,000
Oppenheimer & Co. Inc. ....	329,000
BB&T Capital Markets, a division of Scott & Stringfellow, LLC .....	123,000
Janney Montgomery Scott LLC .....	58,000
Ladenburg Thalmann & Co. Inc. ....	350,000
Maxim Group LLC .....	206,000
Wedbush Securities Inc. ....	99,000
Wunderlich Securities, Inc. ....	82,000

# Edgar Filing: ENERGY INCOME & GROWTH FUND - Form 497

Total

1,700,000

The underwriting agreement provides that the underwriters' obligations to purchase the Common Shares depend on the satisfaction of the conditions contained in the underwriting agreement and that if any of the Common Shares are purchased by the underwriters, all of the Common Shares must be purchased. The conditions contained in the underwriting agreement include the condition that all the representations and warranties made by the Fund to the underwriters are true, that there has been no material adverse change in the condition of the Fund or in the financial markets and that the Fund deliver to the underwriters customary closing documents.

The following table summarizes the underwriting discount the Fund will pay to the underwriters in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional Common Shares. The underwriting discount is the difference between the initial price to the public and the amount the underwriters pay the Fund to purchase the Common Shares.

	No Exercise	Full Exercise
Per Common Share	\$0.968	\$0.968
Total	\$1,645,600	\$1,892,440

S-9

The Fund will pay all expenses of the offering that it incurs. Total expenses of the offering payable by the Fund, other than the underwriting discount, will be approximately \$200,000. As a part of these expenses, the Fund has agreed to reimburse the underwriters for certain out-of-pocket legal expenses incurred by them up to an aggregate of \$60,000 with respect to this offering.

The Fund has been advised by the underwriters that the underwriters propose to offer the Common Shares directly to the public at the initial price to the public set forth on the cover page of this prospectus supplement and to selected dealers at this price to the public less a concession not to exceed \$0.5808 per Common Share.

The Fund has agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act or to contribute to payments that may be required to be made with respect to these liabilities.

The Fund has granted to the underwriters an option to purchase up to an aggregate of 255,000 additional Common Shares at the initial price to the public less the underwriting discount set forth on the cover page of this prospectus supplement exercisable solely to cover over-allotments, if any. Such option may be exercised in whole or in part at any time until 30 days after the date of this prospectus supplement. If this option is exercised, each underwriter will be committed, subject to satisfaction of the conditions specified in the underwriting agreement, to purchase a number of additional Common Shares proportionate to each underwriter's initial commitment as indicated in the preceding table, and the Fund will be obligated, pursuant to the option, to sell

## Edgar Filing: ENERGY INCOME & GROWTH FUND - Form 497

these shares to the underwriters.

During a period of 60 days from the date of the prospectus supplement, the Fund, the Advisor and the Sub-Advisor have agreed that subject to certain exceptions, they will not, without the prior written consent of RBC Capital Markets Corporation, directly or indirectly, (1) offer, pledge, sell, contract to sell, sell any option, rights or warrant to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of the Fund's common shares or any securities convertible into or exercisable or exchangeable for the Fund's common shares or file any registration statement under the Securities Act with respect to any of the foregoing or (2) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Fund's common shares, whether any such swap or transaction described in clause (1) or (2) above is to be settled by delivery of common shares or such other securities, in cash or otherwise. The restrictions described above will apply to certain of the Fund's trustees and the sale of common shares under the Equity Sales Agreement for a period of 45 days after the date of this Prospectus Supplement. In connection with such Equity Sales Agreement, the Fund will be permitted to file an amendment to its registration statement notwithstanding the restrictions set forth in this paragraph for purposes of updating necessary disclosure relating to the sale of common shares from time to time under the Equity Sales Agreement. The restrictions described in this paragraph do not apply to the sale of the Common Shares to the underwriters or common shares issued (or purchased in the open market) pursuant to the Fund's dividend reinvestment plan. In the event that either: (x) during the last 17 days of the 60-day period, or the 45-day period, as applicable, referred to above ("Lock-Up Period"), the Fund issues an earnings release or material news or a material event relating to the Fund, the Advisor or the Sub-Advisor occurs, or (y) prior to the expiration of such Lock-Up Period, the Fund announces that it will release earnings results or becomes aware that material news or a material event will occur during the 16-day period beginning on the last day of such Lock-Up Period, the restrictions described above shall continue to apply until the expiration of the 18-day period beginning on the date of the earnings release or the occurrence of the material news or material event, as applicable, unless the underwriters waive such extensions.

RBC Capital Markets Corporation, in its sole discretion, may release the common shares subject to lock-up agreements in whole or in part at any time with or without notice. When determining whether or not to release common shares from lock-up agreements, RBC Capital Markets Corporation will consider, among other factors, the reasons for requesting the release, the number of common shares for which the release is being requested and market conditions at the time.

In connection with this offering, the underwriters may engage in stabilizing transactions, over-allotment transactions, syndicate covering transactions and penalty bids in accordance with Regulation M under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

- o Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.

S-10

- o Over-allotment transactions involve sales by the underwriters of

## Edgar Filing: ENERGY INCOME & GROWTH FUND - Form 497

Common Shares in excess of the number of Common Shares the underwriters are obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of Common Shares over-allotted by the underwriters is not greater than the number of shares they may purchase in their option to purchase additional Common Shares. In a naked short position, the number of Common Shares involved is greater than the number of Common Shares in the underwriters' option to purchase additional Common Shares. The underwriters may close out any short position by either exercising their option and/or purchasing Common Shares in the open market.

- o Syndicate covering transactions involve purchases of the Common Shares in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of the Common Shares to close out the short position, the underwriters will consider, among other things, the price of Common Shares available for purchase in the open market as compared to the price at which they may purchase Common Shares through their option. If the underwriters sell more Common Shares than could be covered by their option to purchase additional Common Shares, which is referred to in this prospectus supplement as a naked short position, the position can only be closed out by buying Common Shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the Common Shares in the open market after pricing that could adversely affect investors who purchase in the offering.
- o Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the Common Shares originally sold by the syndicate member are purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

Similar to other purchase transactions, the underwriters' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the Common Shares or preventing or retarding a decline in the market price of the Common Shares. As a result, the price of the Common Shares may be higher than the price that might otherwise exist in the open market.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of the Common Shares or preventing or retarding a decline in the market price of the Common Shares. As a result, the price of the Common Shares may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the NYSE Amex or otherwise and, if commenced, may be discontinued at any time.

Neither the Fund, the Advisor, the Sub-Advisor nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Common Shares. In addition, neither the Fund, the Advisor, the Sub-Advisor nor any of the underwriters make any representation that the underwriters will engage in these stabilizing transactions or that any transaction, if commenced, will not be discontinued without notice.

The underwriters and their affiliates have provided in the past to the Fund, and may from time to time in the future provide, certain commercial banking, financial advisory, investment banking and other services, for which



## Edgar Filing: ENERGY INCOME & GROWTH FUND - Form 497

they will be entitled to receive separate fees. The underwriters and their affiliates may from time to time in the future engage in transactions with the Fund and perform services for the Fund or its portfolio companies in the ordinary course of business.

The principal business address of RBC Capital Markets Corporation is Three World Financial Center, 200 Vesey Street, 8th Floor, New York, NY 10281.

S-11

### EXPERTS

The financial statements and financial highlights in this prospectus supplement and the accompanying SAI have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports appearing herein and elsewhere in the Registration Statement. Such financial statements and financial highlights are included in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

### LEGAL MATTERS

Certain legal matters in connection with the Common Shares will be passed upon for the Fund by Chapman and Cutler LLP, Chicago, Illinois and for the underwriters by Troutman Sanders LLP. Chapman and Cutler LLP and Troutman Sanders LLP may rely as to certain matters of Massachusetts law on the opinion of Bingham McCutchen LLP.

### AVAILABLE INFORMATION

The Fund is subject to the informational requirements of the Exchange Act and the 1940 Act and is required to file reports, including annual and semi-annual reports, proxy statements and other information with the SEC. The Fund's most recent annual shareholder report filed with the SEC is for the period ended November 30, 2009. This document is available on the SEC's IDEA system and can be inspected and copied for a fee at the SEC's public reference room, 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Additional information about the operation of the public reference room facilities may be obtained by calling the SEC at (202) 551-5850.

This prospectus supplement and the accompanying prospectus do not contain all of the information in the Registration Statement, including amendments, exhibits, and schedules. Statements in this prospectus supplement and the accompanying prospectus about the contents of any contract or other document are not necessarily complete and in each instance reference is made to the copy of the contract or other document filed as an exhibit to the Registration Statement, each such statement being qualified in all respects by this reference.

Additional information about the Fund can be found in the Registration Statement (including amendments, exhibits, and schedules). The SEC maintains a web site (<http://www.sec.gov>) that contains the Registration Statement, other documents incorporated by reference, and other information the Fund has filed electronically with the SEC, including proxy statements and reports filed under the Exchange Act.

S-12

INDEX TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED NOVEMBER 30, 2009

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.....	F-3
PORTFOLIO OF INVESTMENTS.....	F-4
STATEMENT OF ASSETS AND LIABILITIES.....	F-8
STATEMENT OF OPERATIONS.....	F-9
STATEMENTS OF CHANGES IN NET ASSETS.....	F-10
STATEMENT OF CASH FLOWS.....	F-11
FINANCIAL HIGHLIGHTS.....	F-12
NOTES TO FINANCIAL STATEMENTS.....	F-13

F-1

This page is intentionally left blank.

F-2

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Trustees and Shareholders of Energy Income and Growth Fund:

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments, of Energy Income and Growth Fund (the "Fund") as of November 30, 2009, and the related statements of operations and cash flows for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for the periods presented. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the

## Edgar Filing: ENERGY INCOME & GROWTH FUND - Form 497

financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of November 30, 2009 by correspondence with the Fund's custodian and brokers. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Energy Income and Growth Fund as of November 30, 2009, the results of its operations and its cash flows for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for the periods presented, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

Chicago, Illinois  
January 27, 2010

ENERGY INCOME AND GROWTH FUND  
PORTFOLIO OF INVESTMENTS (a) - (CONTINUED)  
NOVEMBER 30, 2009

SHARES/ UNITS	DESCRIPTION	VALUE
-----	-----	-----
MASTER LIMITED PARTNERSHIPS - 116.4%		
	OIL, GAS & CONSUMABLE FUELS - 114.8%	
74,500	AmeriGas Partners, L.P. ....	\$ 2,795,240
110,000	Buckeye GP Holdings, L.P. (b) ....	3,081,100
25,000	Buckeye Partners, L.P. ....	1,317,500
465,471	Clearwater Natural Resources, L.P. (c) (d) (e) (f) ....	0
124,300	Duncan Energy Partners, L.P. (b) ....	2,793,021
153,600	El Paso Pipeline Partners, L.P. (b) ....	3,640,320
150,947	Enbridge Energy Partners, L.P. (b) ....	7,440,178
7,582	Encore Energy Partners, L.P. (b) ....	134,429
159,000	Energy Transfer Equity, L.P. (b) ....	4,690,500
173,870	Energy Transfer Partners, L.P. (b) ....	7,526,832
267,803	Enterprise GP Holdings, L.P. (b) ....	9,908,711
515,998	Enterprise Products Partners, L.P. (b) ....	15,371,580
40,709	EV Energy Partners, L.P. (b) ....	1,052,328
6,751	Exterran Partners, L.P. ....	130,497
74,874	Global Partners, L.P. (b) ....	1,758,790

# Edgar Filing: ENERGY INCOME & GROWTH FUND - Form 497

100,700	Holly Energy Partners, L.P. (b) .....	3,695,690
112,836	Inergy Holdings, L.P. ....	6,036,726
205,771	Kinder Morgan Energy Partners, L.P. (b) .....	11,988,218
528,642	Magellan Midstream Partners, L.P. (b) .....	21,727,186
142,788	Natural Resource Partners, L.P. (b) .....	3,399,782
145,126	NuStar Energy, L.P. (b) .....	7,611,859
229,100	NuStar GP Holdings, LLC (b) .....	5,718,336
149,130	ONEOK Partners, L.P. (b) .....	8,752,440
70,000	Penn Virginia Resource Partners, L.P. (b) .....	1,358,700
255,921	Plains All American Pipeline, L.P. (b) .....	12,949,603
57,505	Quicksilver Gas Services, L.P. (b) .....	1,207,605
105,454	Sunoco Logistics Partners, L.P. (b) .....	6,511,785
27,000	TC Pipelines, L.P. ....	977,130
70,000	TransMontaigne Partners, L.P. (b) .....	1,820,000
60,000	Williams Pipeline Partners, L.P. (b) .....	1,311,000
		-----
		156,707,086
		-----
GAS UTILITIES - 1.6%		
30,000	Spectra Energy Partners, L.P. ....	831,900
30,000	Suburban Propane Partners, L.P. ....	1,317,000
		-----
		2,148,900
		-----
TOTAL MASTER LIMITED PARTNERSHIPS		
(Cost \$97,948,559) .....		158,855,986
		-----
CANADIAN INCOME TRUSTS - 3.4%		
OIL, GAS & CONSUMABLE FUELS - 2.7%		
171,680	Keyera Facilities Income Fund .....	3,716,959
INDEPENDENT POWER PRODUCERS & ENERGY TRADERS - 0.7%		
90,000	Northland Power Income Fund .....	937,180
		-----
TOTAL CANADIAN INCOME TRUSTS		
(Cost \$3,266,024) .....		4,654,139
		-----

See Notes to Financial Statements

F-4

ENERGY INCOME AND GROWTH FUND  
PORTFOLIO OF INVESTMENTS (a) - (CONTINUED)  
NOVEMBER 30, 2009

SHARES	DESCRIPTION	VALUE
-----	-----	-----
COMMON STOCKS - 24.5%		
OIL, GAS & CONSUMABLE FUELS - 17.4%		
65,470	Enbridge Energy Management, LLC (b) (g) .....	\$ 3,197,535
22,000	Enbridge, Inc. (h) .....	940,720
119,037	Kinder Morgan Management, LLC (b) (g) .....	5,984,007
179,500	Spectra Energy Corp. (i) .....	3,484,095

160,000	TransCanada Corp. (i) .....	5,163,200
250,000	Williams Cos., Inc. (h) .....	4,972,500
		-----
		23,742,057
		-----
	GAS UTILITIES - 7.0%	
118,000	ONEOK, Inc. (i) .....	4,722,360
205,000	UGI Corp. (i) .....	4,813,400
		-----
		9,535,760
		-----
	CAPITAL MARKETS - 0.1%	
20,000	NGP Capital Resources Co. (b) .....	153,800
		-----
	TOTAL COMMON STOCKS	
	(Cost \$28,604,923) .....	33,431,617
		-----
RIGHTS - 0.0%		
	OIL, GAS & CONSUMABLE FUELS - 0.0%	
17	Clearwater Natural Resources, L.P. (c) (d) (e) (f) .....	0
		-----
	TOTAL RIGHTS	
	(Cost \$0) .....	0
		-----
WARRANTS - 0.0%		
	OIL, GAS & CONSUMABLE FUELS - 0.0%	
48,956	Abraxas Petroleum Corp., Expiration 05/25/12 (c) (d) (e) ..	23,034
		-----
	TOTAL WARRANTS	
	(Cost \$0) .....	23,034
		-----
	TOTAL INVESTMENTS - 144.3%	
	(Cost \$129,819,506) (j) .....	196,964,776
		-----
NUMBER OF		
CONTRACTS	DESCRIPTION	VALUE
-----	-----	-----
CALL OPTIONS WRITTEN - (0.8%)		
	Enbridge, Inc.	
220	@ 45 due Apr 10 .....	(24,200)
		-----
	ONEOK, Inc.	
800	@ 35 due Jan 10 .....	(412,000)
		-----
	Spectra Energy Corp.	
900	@ 20 due Dec 09 .....	(13,500)
195	@ 22.5 due Mar 10 .....	(1,950)
		-----
		(15,450)

See Notes to Financial Statements

# Edgar Filing: ENERGY INCOME & GROWTH FUND - Form 497

ENERGY INCOME AND GROWTH FUND  
PORTFOLIO OF INVESTMENTS (a) - (CONTINUED)  
NOVEMBER 30, 2009

NUMBER OF CONTRACTS	DESCRIPTION	VALUE
-----	-----	-----
CALL OPTIONS WRITTEN - (CONTINUED)		
	TransCanada Corp.	
600	@ 30 due Feb 10 .....	\$ (192,000)
800	@ 35 due May 10 .....	(32,000)
		-----
		(224,000)
		-----
	UGI Corp.	
800	@ 25 due Jan 10 .....	(10,000)
500	@ 30 due Jan 10 .....	(7,500)
		-----
		(17,500)
		-----
	Williams Cos., Inc.	
800	@ 17.5 due Feb 10 .....	(228,000)
300	@ 20 due Dec 09 .....	(12,000)
600	@ 20 due Jan 10 .....	(48,000)
800	@ 22.5 due May 10 .....	(68,000)
		-----
		(356,000)
		-----
	TOTAL CALL OPTIONS WRITTEN	
	(Premiums received \$722,982) .....	(1,049,150)
		-----
	OUTSTANDING LOAN - (33.0)% .....	(45,000,000)
	NET OTHER ASSETS AND LIABILITIES - (10.5%) .....	(14,395,137)
		-----
	NET ASSETS - 100.0% .....	\$ 136,520,489
		=====

- 
- (a) All percentages shown in the Portfolio of Investments are based on net assets.
- (b) All or a portion of this security is serving as collateral on the outstanding loan.
- (c) This security is restricted and cannot be offered for public sale without first being registered under the Securities Act of 1933, as amended. Prior to registration, restricted securities may only be resold in transactions exempt from registration (see Note 2D - Restricted Securities in the Notes to Financial Statements).
- (d) This security is fair valued in accordance with procedures adopted by the Fund's Board of Trustees.
- (e) Non-income producing security.

# Edgar Filing: ENERGY INCOME & GROWTH FUND - Form 497

- (f) This partnership filed for protection in federal bankruptcy court on January 7, 2009.
- (g) Non-income producing security which pays regular in-kind distributions.
- (h) Call options were written on this entire Common Stock position and are fully covered by the Common Stock position.
- (i) Call options were written on a portion of this Common Stock position and are fully covered by the Common Stock position.
- (j) Aggregate cost for federal income tax purposes is \$117,713,175. As of November 30, 2009, the aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost was \$84,659,592 and the aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value was \$5,407,991.

See Notes to Financial Statements

F-6

ENERGY INCOME AND GROWTH FUND  
PORTFOLIO OF INVESTMENTS (a) - (CONTINUED)  
NOVEMBER 30, 2009

## VALUATION INPUTS

A summary of the inputs used to value the Fund's investments as of November 30, 2009 is as follows (see Note 2A - Portfolio Valuation in the Notes to Financial Statements):

## ASSETS TABLE

	TOTAL MARKET VALUE AT 11/30/09	LEVEL 1 QUOTED PRICES	LEVEL 2 SIGNIFICANT OBSERVABLE INPUTS	LEVEL 3 SIGNIFICANT UNOBSERVABLE INPUTS
	-----	-----	-----	-----
Master Limited Partnerships* ..	\$158,855,986	\$158,855,986	\$ --	\$--
Canadian Income Trusts* .....	4,654,139	4,654,139	--	--
Common Stocks* .....	33,431,617	33,431,617	--	--
Warrants* .....	23,034	--	23,034	--
	-----	-----	-----	---
Total Investments .....	\$196,964,776	\$196,941,742	\$23,034	\$--
	=====	=====	=====	===

## LIABILITIES TABLE

LEVEL 2

LEVEL 3

# Edgar Filing: ENERGY INCOME & GROWTH FUND - Form 497

	TOTAL MARKET VALUE AT 11/30/09	LEVEL 1 QUOTED PRICES	SIGNIFICANT OBSERVABLE INPUTS	SIGNIFICANT UNOBSERVABLE INPUTS
	-----	-----	-----	-----
Call Options Written .....	\$ (1,049,150)	\$ (1,049,150)	\$--	\$--
	=====	=====	===	===

\* See the Portfolio of Investments for industry breakout.

The following table presents the Fund's investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the period presented.

INVESTMENTS AT FAIR VALUE USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	BALANCE AS OF NOVEMBER 30, 2008	TRANSFERS IN (OUT) OF LEVEL 3	NET UNREALIZED APPRECIATION (DEPRECIATION)	NET REALIZED GAINS (LOSSES)
-----	-----	-----	-----	-----
Master Limited Partnerships	\$2,792,826	\$ --	\$ (2,792,826)	\$--
Warrants	13,879	(23,034)	9,155	--
	-----	-----	-----	---
Total Investments	\$2,806,705	\$ (23,034)	\$ (2,783,671)	\$--
	=====	=====	=====	===

Net change in unrealized depreciation from Level 3 investments held as of November 30, 2009 was \$2,792,826 and is included in "Net change in unrealized appreciation (depreciation) before taxes on investments" on the Statement of Operations.

See Notes to Financial Statements

F-7

## ENERGY INCOME AND GROWTH FUND STATEMENT OF ASSETS AND LIABILITIES NOVEMBER 30, 2009

### ASSETS:

Investments, at value	
(Cost \$129,819,506) .....	\$196,964,776
Cash .....	9,702,492
Prepaid expenses .....	180,131
Receivables:	
Income taxes .....	1,875,113
Fund shares sold .....	140,295
Dividends .....	111,183
Investment securities sold .....	39,233
Interest .....	158
	-----
Total Assets .....	209,013,381



# Edgar Filing: ENERGY INCOME & GROWTH FUND - Form 497

## LIABILITIES:

Outstanding loan .....	45,000,000
Deferred income taxes .....	26,095,391
Options written, at value (Premiums received \$722,982) .....	1,049,150

## Payables:

Investment advisory fees .....	145,856
Audit and tax fees .....	113,240
Printing fees .....	26,128
Legal fees .....	18,267
Administrative fees .....	13,857
Interest and fees on loan .....	8,778
Trustees' fees and expenses .....	6,712
Custodian fees .....	3,775
Income taxes .....	3,342
Transfer agent fees .....	2,532
Other liabilities .....	5,864

Total Liabilities .....	72,492,892
-------------------------	------------

NET ASSETS .....	\$136,520,489
------------------	---------------

## NET ASSETS CONSIST OF:

Paid-in capital .....	\$106,182,584
Par value .....	67,583
Net unrealized appreciation (depreciation) on investments, written options and foreign currency translation, net of income taxes .....	44,282,176
Accumulated net realized gain (loss) on investments, written options and foreign currency transactions, net of income taxes .....	(1,117,184)
Accumulated net investment income (loss), net of income taxes .....	(12,894,670)

NET ASSETS .....	\$136,520,489
------------------	---------------

NET ASSET VALUE, per Common Share (par value \$0.01 per Common Share) ..	\$ 20.20
--	----------

Number of Common Shares outstanding (unlimited number of Common Shares has been authorized) .....	6,758,270
--	-----------

See Notes to Financial Statements

F-8

## ENERGY INCOME AND GROWTH FUND STATEMENT OF OPERATIONS FOR THE YEAR ENDED NOVEMBER 30, 2009

## INVESTMENT INCOME:

Dividends (net of foreign withholding tax of \$58,864) .....	\$ 1,047,43
Interest .....	1,71

Total investment income .....	1,049,14
-------------------------------	----------

## EXPENSES:

# Edgar Filing: ENERGY INCOME & GROWTH FUND - Form 497

Investment advisory fees .....		1,489,05
Interest and fees on loan .....		1,105,91
Energy Notes offering costs .....		324,04
Shelf offering costs .....		170,39
Administrative fees .....		141,46
Audit and tax fees .....		106,96
Legal fees .....		94,34
Printing fees .....		75,92
Trustees' fees and expenses .....		38,39
Transfer agent fees .....		35,26
Insurance expense .....		31,44
Custodian fees .....		22,47
Auction fees .....		19,96
Other .....		23,75
		-----
Total expenses .....		3,679,40
		-----
NET INVESTMENT INCOME (LOSS) BEFORE TAXES .....		(2,630,26
		-----
Current income tax benefit (expense) - foreign .....	167,032	
Current income tax benefit (expense) - state .....	24,119	
Current federal income tax benefit (expense) .....	(2,028,313)	
Deferred federal income tax benefit (expense) .....	2,867,200	
	-----	
Total income tax benefit (expense) .....		1,030,03
		-----
NET INVESTMENT INCOME (LOSS) .....		(1,600,23
		-----
NET REALIZED AND UNREALIZED GAIN (LOSS):		
Net realized gain (loss) before taxes on:		
Investments .....		3,213,32
Written options .....		1,196,35
Foreign currency transactions .....		2,12
		-----
Net realized gain (loss) before taxes .....		4,411,80
		-----
Deferred federal income tax benefit (expense) .....	(1,525,524)	
	-----	
Total income tax benefit (expense) .....		(1,525,52
		-----
Net realized gain (loss) on investments, written options and foreign currency transactions .....		2,886,28
		-----
Net change in unrealized appreciation (depreciation) before taxes on:		
Investments .....		70,922,14
Written options .....		(706,89
Foreign currency translations .....		63
		-----
Net change in unrealized appreciation (depreciation) before taxes ...		70,215,88
		-----
Deferred federal income tax benefit (expense) .....	(24,242,951)	
Deferred income tax benefit (expense) - state .....	(156,991)	
	-----	
Total income tax benefit (expense) .....		(24,399,94
		-----
Net change in unrealized appreciation (depreciation) on investments, written options and foreign currency translations .....		45,815,94
		-----
NET REALIZED AND UNREALIZED GAIN (LOSS) .....		48,702,22
		-----
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS .....		\$ 47,101,99
		=====

# Edgar Filing: ENERGY INCOME & GROWTH FUND - Form 497

See Notes to Financial Statements

F-9

## ENERGY INCOME AND GROWTH FUND STATEMENTS OF CHANGES IN NET ASSETS

	YEAR ENDED 11/30/2009	11/30/2008
OPERATIONS:		
Net investment income (loss) .....	\$ (1,600,230)	\$ (1,600,230)
Net realized gain (loss) .....	2,886,282	2,886,282
Net change in unrealized appreciation (depreciation) .....	45,815,945	(7,115,945)
Net increase (decrease) in net assets resulting from operations .....	47,101,997	(6,829,893)
DISTRIBUTIONS TO SHAREHOLDERS FROM:		
Net realized gain .....	(2,319,211)	(1,600,230)
Return of capital .....	(9,207,189)	(9,207,189)
Total distributions to shareholders .....	(11,526,400)	(10,807,419)
CAPITAL TRANSACTIONS:		
Proceeds from Common Shares sold through shelf offering .....	4,804,981	4,804,981
Proceeds from Common Shares reinvested .....	1,259,581	1,259,581
Net increase (decrease) in net assets resulting from capital transactions ..	6,064,562	6,064,562
Total increase (decrease) in net assets .....	41,640,159	(7,572,870)
NET ASSETS:		
Beginning of period .....	94,880,330	17,453,200
End of period .....	\$136,520,489	\$ 9,880,330
Accumulated net investment income (loss), net of income taxes .....	\$ (12,894,670)	\$ (12,894,670)
CAPITAL SHARE TRANSACTIONS WERE AS FOLLOWS:		
Common Shares at beginning of period .....	6,462,221	6,462,221
Common Shares sold through shelf offering .....	227,636	227,636
Common Shares issued as reinvestment under the Dividend Reinvestment Plan ..	68,413	68,413
Common Shares at end of period .....	6,758,270	6,758,270

See Notes to Financial Statements

F-10

# Edgar Filing: ENERGY INCOME & GROWTH FUND - Form 497

## ENERGY INCOME AND GROWTH FUND STATEMENT OF CASH FLOWS FOR THE YEAR ENDED NOVEMBER 30, 2009

### CASH FLOWS FROM OPERATING ACTIVITIES:

Net increase (decrease) in net assets resulting from operations .....	\$ 47,101,997
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash used by operating activities:	
Purchases of investments .....	(81,776,452)
Sales of investments .....	68,439,475
Proceeds from written options .....	1,395,514
Cost to close written options .....	(11,046)
Return of capital received from investments in MLPs .....	11,496,906
Net realized gain/loss on investments and options .....	(4,409,677)
Net change in unrealized appreciation/depreciation on investments and options .....	(70,215,255)

### CHANGES IN ASSETS AND LIABILITIES:

Decrease in income tax receivable .....	1,636,598
Decrease in interest receivable .....	227
Increase in dividends receivable (a) .....	(38,408)
Decrease in prepaid expenses .....	156,112
Decrease in interest and fees on loan payable .....	(93,637)
Decrease in income tax payable .....	(260,949)
Increase in investment advisory fees payable .....	36,062
Increase in audit and tax fees payable .....	6,240
Decrease in legal fees payable .....	(23,739)
Increase in printing fees payable .....	4,040
Increase in administrative fees payable .....	3,427
Decrease in transfer agent fees payable .....	(236)
Decrease in custodian fees payable .....	(1,698)
Decrease in Trustees' fees and expenses payable .....	(785)
Increase in accrued expenses .....	3,364
Increase in deferred income taxes .....	23,058,264

CASH USED IN OPERATING ACTIVITIES ..... \$ (3,493,6

### CASH FLOWS FROM FINANCING ACTIVITIES:

Distributions to Common Shareholders from net realized gain .....	(2,319,211)
Return of capital distributions .....	(9,207,189)
Proceeds of Common Shares sold .....	4,664,686
Proceeds of Common Shares reinvested .....	1,259,581
Issuance of loan .....	47,850,000
Repayment of loan .....	(8,500,000)
Redemption of Series B Energy Notes .....	(25,000,000)

CASH FLOWS PROVIDED BY FINANCING ACTIVITIES ..... 8,747,8

Increase in cash ..... 5,254,2  
Cash at beginning of period ..... 4,448,2

CASH AT END OF PERIOD ..... \$ 9,702,4

### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid during the period for interest and fees ..... \$ 1,221,3  
Cash paid during the period for taxes ..... \$ 461,5

=====

-----  
(a) Includes net change in unrealized appreciation (depreciation) on foreign currency of \$632.

See Notes to Financial Statements

F-11

ENERGY INCOME AND GROWTH FUND  
FINANCIAL HIGHLIGHTS  
FOR A COMMON SHARE OUTSTANDING THROUGHOUT EACH PERIOD

	YEAR ENDED 11/30/2009	YEAR ENDED 11/30/2008	YEAR ENDED 11/30/2007 (a)
	-----	-----	-----
Net asset value, beginning of period .....	\$ 14.68	\$ 26.74	\$ 25.88
	-----	-----	-----
INCOME FROM INVESTMENT OPERATIONS:			
Net investment income (loss) .....	(0.24) (b)	(0.57)	(0.67)
Net realized and unrealized gain (loss) .....	7.43	(9.83)	3.06
	-----	-----	-----
Total from investment operations after income tax ....	7.19	(10.40)	2.39
	-----	-----	-----
DISTRIBUTIONS PAID TO SHAREHOLDERS FROM:			
Net realized gain .....	(0.35)	(1.66)	(1.53)
Return of capital .....	(1.41)	--	--
	-----	-----	-----
Total from distributions .....	(1.76)	(1.66)	(1.53)
	-----	-----	-----
Premiums from shares sold in at the market offering ..	0.09	--	--
	-----	-----	-----
Net asset value, end of period .....	\$ 20.20	\$ 14.68	\$ 26.74
	=====	=====	=====
Market value, end of period .....	\$ 22.30	\$ 14.40	\$ 23.82
	=====	=====	=====
TOTAL RETURN BASED ON NET ASSET VALUE (c) .....	51.03%	(40.70)%	9.38%
	=====	=====	=====
TOTAL RETURN BASED ON MARKET VALUE (d) .....	70.20%	(34.74)%	2.96%
	=====	=====	=====
Net assets, end of period (in 000's) .....	\$136,520	\$ 94,880	\$172,421
	-----	-----	-----
RATIOS OF EXPENSES TO AVERAGE NET ASSETS:			
Including current and deferred income taxes before			
waiver (f) .....	25.79%	(20.03)%	8.52%
Including current and deferred income taxes after			
waiver (f) .....	25.79%	(20.03)%	8.52%
Excluding current and deferred income taxes before			
waiver .....	3.32%	4.80%	3.94%
Excluding current and deferred income taxes after			
waiver .....	3.32%	4.80%	3.94%

## Edgar Filing: ENERGY INCOME & GROWTH FUND - Form 497

Excluding current and deferred income taxes and interest expense after waiver .....	2.32%	2.55%	1.89%
RATIOS OF NET INVESTMENT INCOME (LOSS) TO AVERAGE NET ASSETS:			
Net investment income (loss) ratio before tax expenses .....	(2.37)%	(3.83)%	(3.83)%
Net investment income (loss) ratio including tax expenses (f) .....	(24.84)%	21.00%	(8.41)%
Portfolio turnover rate .....	43%	38%	16%
SENIOR SECURITIES:			
Total Energy Notes outstanding (\$25,000 per note) ....	N/A	1,000	2,360
Principal amount and market value per Energy Note (g) .....	N/A	\$ 25,006	\$ 25,004
Asset coverage per Energy Note (h) .....	N/A	\$119,880	\$ 98,060
Total loan outstanding (in 000's) .....	\$ 45,000	\$ 5,650	\$ 15,250
Asset coverage per \$1,000 senior indebtedness .....	\$ 4,034 (j)	\$ 22,218 (j)	\$ 12,306 (i)

- 
- (a) On September 14, 2007, the Fund's Board of Trustees approved an interim sub-advisory agreement with Energy Income Partners, LLC ("EIP"), and on September 24, 2007, the Board of Trustees voted to approve EIP as investment sub-advisor.
- (b) Based on average shares outstanding.
- (c) Total return based on net asset value is the combination of reinvested dividend distributions and reinvested capital gains distributions, if any, at prices obtained by the Dividend Reinvestment Plan, and changes in net asset value per share and does not reflect sales load.
- (d) Total return based on market value is the combination of reinvested dividend distributions and reinvested capital gains distributions, if any, at prices obtained by the Dividend Reinvestment Plan, and changes in Common Share price.
- (e) In 2005, the Fund received reimbursements from the investment advisor and former sub-advisor. This reimbursement had no effect on the Fund's total return.
- (f) Includes current and deferred income taxes associated with each component of the Statement of Operations.
- (g) Includes accumulated and unpaid interest.
- (h) Calculated by taking the Fund's total assets less the Fund's total liabilities (not including the Energy Notes) and dividing by the outstanding Energy Notes in 000's.
- (i) Calculated by taking the Fund's total assets less the Fund's total liabilities (not including the loan outstanding) and dividing by the loan outstanding in 000's.
- (j) Calculated by taking the Fund's total assets less the Fund's total liabilities (not including the loan outstanding and the Energy Notes) and dividing by the loan outstanding in 000's. If this methodology had been used historically, fiscal year 2007 would have been \$16,175.

N/A Not applicable.

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

ENERGY INCOME AND GROWTH FUND  
NOVEMBER 30, 2009

1. FUND DESCRIPTION

Energy Income and Growth Fund (the "Fund") is a non-diversified, closed-end management investment company organized as a Massachusetts business trust on March 25, 2004, and is registered with the Securities and Exchange Commission ("SEC") under the Investment Company Act of 1940, as amended (the "1940 Act"). The Fund trades under the ticker symbol FEN on the NYSE Amex (formerly the American Stock Exchange).

The Fund's investment objective is to seek a high level of after-tax total return with an emphasis on current distributions paid to shareholders. The Fund seeks to provide its shareholders with an efficient vehicle to invest in a portfolio of cash-generating securities of energy companies. The Fund focuses on investing in publicly-traded master limited partnerships ("MLPs") and related public entities in the energy sector, which Energy Income Partners, LLC ("EIP" or the "Sub-Advisor") believes offer opportunities for income and growth. Due to the tax treatment of cash distributions made by MLPs to their investors, a portion of the distributions received may be tax deferred, thereby maximizing cash available for distribution by the Fund to its shareholders. There can be no assurance that the Fund's investment objective will be achieved.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

A. PORTFOLIO VALUATION:

The net asset value ("NAV") of the Fund's Common Shares is determined daily as of the close of regular trading on the New York Stock Exchange ("NYSE"), normally 4:00 p.m. Eastern time, on each day the NYSE is open for trading. The NAV per Common Share is calculated by dividing the value of all assets of the Fund (including accrued dividends and interest), less all liabilities (including accrued expenses, dividends declared but unpaid and deferred income taxes and any borrowings of the Fund) by the total number of shares outstanding.

The Fund's investments are valued daily at market value or, in the absence of market value with respect to any portfolio securities, at fair value according to procedures adopted by the Fund's Board of Trustees. A majority of the Fund's assets are valued using market information supplied by third parties. In the event that market quotations are not readily available, the pricing service does not provide a valuation for a particular asset, or the valuations are deemed unreliable, the Fund's Board of Trustees has designated First Trust Advisors L.P. ("First Trust") to use a fair value method to value the Fund's securities and other investments. Additionally, if events occur after the close of the principal markets for particular securities (e.g., domestic debt and foreign

## Edgar Filing: ENERGY INCOME & GROWTH FUND - Form 497

securities), but before the Fund values its assets, that could materially affect NAV, First Trust may use a fair value method to value the Fund's securities and other investments. The use of fair value pricing by the Fund is governed by valuation procedures adopted by the Fund's Board of Trustees, and in accordance with the provisions of the 1940 Act.

Portfolio securities listed on any exchange other than the NASDAQ National Market ("NASDAQ") are valued at the last sale price on the business day as of which such value is being determined. If there has been no sale on such day, the securities are valued at the mean of the most recent bid and asked prices on such day. Securities traded on the NASDAQ are valued at the NASDAQ Official Closing Price as determined by NASDAQ. Portfolio securities traded on more than one securities exchange are valued at the last sale price on the business day as of which such value is being determined at the close of the exchange representing the principal market for such securities. Portfolio securities traded in the over-the-counter market, but excluding securities traded on the NASDAQ, are valued at the closing bid prices. Fixed-income securities with a remaining maturity of 60 days or more will be valued by the Fund using a pricing service. Short-term investments that mature in less than 60 days when purchased are valued at amortized cost.

The Fund is subject to fair value accounting standards that define fair value, establish the framework for measuring fair value and provide a three-level hierarchy for fair valuation based upon the inputs to the valuation as of the measurement date. The three levels of the fair value hierarchy are as follows:

- Level 1 - Level 1 inputs are quoted prices in active markets for identical securities. An active market is a market in which transactions for the security occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 - Level 2 inputs are observable inputs, either directly or indirectly, and include the following:
  - Quoted prices for similar securities in active markets.

F-13

- Quoted prices for identical or similar securities in markets that are non-active. A non-active market is a market where there are few transactions for the security, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly.
- Inputs other than quoted prices that are observable for the security (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates).
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 - Level 3 inputs are unobservable inputs. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the security.



## Edgar Filing: ENERGY INCOME & GROWTH FUND - Form 497

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. A summary of the inputs used to value the Fund's net assets as of November 30, 2009 is included with the Fund's Portfolio of Investments.

### B. OPTION CONTRACTS:

**COVERED OPTIONS.** The Fund is subject to equity price risk in the normal course of pursuing its investment objective and may enter into options written to hedge against changes in the value of equities. The Fund may write (sell) covered call or put options ("options") on all or a portion of the common stock of energy companies held in the Fund's portfolio as determined to be appropriate by the Sub-Advisor. The number of options the Fund can write (sell) is limited by the amount of common stock of energy companies the Fund holds in its portfolio. The Fund will not write (sell) "naked" or uncovered options. By writing (selling) options, the Fund seeks to generate additional income, in the form of premiums received for writing (selling) the options, and may provide a partial hedge against a market decline in the underlying equity security. Options are marked-to-market daily and their value will be affected by changes in the value and dividend rates of the underlying equity securities, changes in interest rates, changes in the actual or perceived volatility of the securities markets and the underlying equity securities and the remaining time to the options' expiration. The value of options may also be adversely affected if the market for the options becomes less liquid or smaller.

Options the Fund writes (sells) will either be exercised, expire or be cancelled pursuant to a closing transaction. If the price of the underlying equity security exceeds the option's exercise price, it is likely that the option holder will exercise the option. If an option written (sold) by the Fund is exercised, the Fund would be obligated to deliver the underlying equity security to the option holder upon payment of the strike price. In this case, the option premium received by the Fund will be added to the amount realized on the sale of the underlying security for purposes of determining gain or loss. If the price of the underlying equity security is less than the option's strike price, the option will likely expire without being exercised. The option premium received by the Fund will, in this case, be treated as short-term capital gain on the expiration date of the option. The Fund may also elect to close out its position in an option prior to its expiration by purchasing an option of the same series as the option written (sold) by the Fund.

The options that the Fund writes (sells) give the option holder the right, but not the obligation, to purchase a security from the Fund at the strike price on or prior to the option's expiration date. The ability to successfully implement the writing (selling) of covered call options depends on the ability of the Sub-Advisor to predict pertinent market movements, which cannot be assured. Thus, the use of options may require the Fund to sell portfolio securities at inopportune times or for prices other than current market value, which may limit the amount of appreciation the Fund can realize on an investment, or may cause the Fund to hold a security that it might otherwise sell. As the writer (seller) of a covered option, the Fund foregoes, during the option's life, the opportunity to profit from increases in the market value of the security covering the option above the sum of the premium and the strike price of the option, but has retained the risk of loss should the price of the underlying security decline. The writer (seller) of an option has no control over the time when it may be required to fulfill its obligation as a writer (seller) of the option. Once an option writer (seller) has received an exercise notice, it cannot effect a closing purchase transaction in order to terminate its obligation under the option and must deliver the underlying security to the option holder at the exercise price.

Over-the-counter ("OTC") options have the risk of the potential inability of

## Edgar Filing: ENERGY INCOME & GROWTH FUND - Form 497

counterparties to meet the terms of their contracts. The Fund's maximum equity price risk for purchased options is limited to the premium initially paid. In addition, certain risks may arise upon entering into option contracts including the risk that an illiquid secondary market will limit the Fund's ability to close out an option contract prior to the expiration date and that a change in the value of the option contract may not correlate exactly with changes in the value of the securities hedged.

### C. SECURITIES TRANSACTIONS AND INVESTMENT INCOME:

Securities transactions are recorded as of the trade date. Realized gains and losses from securities transactions are recorded on the identified cost basis. Dividend income is recorded on the ex-dividend date. Interest income is recognized and recorded on the accrual basis, including amortization of premiums and accretion of discounts. The Fund will rely to some extent on information provided by the MLPs, which is not necessarily timely, to estimate taxable income allocable to the MLP units held in the Fund's portfolio and to estimate the associated deferred tax asset or liability. From time to time, the Fund will

F-14

modify its estimates and/or assumptions regarding its deferred tax liability as new information becomes available. To the extent the Fund modifies its estimates and/or assumptions, the NAV of the Fund will likely fluctuate.

Distributions received from the Fund's investments in MLPs generally are comprised of return of capital from the MLP to the extent of the cost basis of such MLP investments. Cumulative distributions received in excess of the Fund's cost basis in an MLP generally are recorded as capital gain.

### D. RESTRICTED SECURITIES:

The Fund may invest up to 35% of its Managed Assets, which is the gross asset value of the Fund minus accrued liabilities (excluding the principal amount of any borrowings), in restricted securities. Restricted securities are securities that cannot be offered for public sale without first being registered under the Securities Act of 1933, as amended. Prior to registration, restricted securities may only be resold in transactions exempt from registration. The Fund holds the restricted securities at November 30, 2009 shown in the following table. The Fund does not have the right to demand that such securities be registered. These securities are valued according to the valuation procedures as stated in the Portfolio Valuation footnote (Note 2A) and are not expressed as a discount to the value of a comparable unrestricted security.

SECURITY -----	ACQUISITION DATE -----	SHARES/ UNITS -----	PRICE -----	CARRYING COST -----	VALUE -----
Abraxas Petroleum Corp. - Warrants	05/25/07	48,956	\$0.47	\$ --	\$23,03
Clearwater Natural Resources, L.P.	08/01/05	465,471	--	8,601,560	--
Clearwater Natural Resources, L.P. - Rights	08/01/05	17	--	--	--
				-----	-----
				\$8,601,560	\$23,03
				=====	=====

## Edgar Filing: ENERGY INCOME & GROWTH FUND - Form 497

### E. DISTRIBUTIONS TO SHAREHOLDERS:

The Fund intends to make quarterly distributions to Common Shareholders. On December 11, 2006, the Board of Trustees approved a managed distribution policy to better align the Fund with its after-tax total return investment objective. The Fund's distributions generally will consist of cash and paid-in-kind distributions from MLPs or their affiliates, dividends from common stocks, interest from debt instruments and income from other investments held by the Fund less operating expenses, including taxes. Distributions to Common Shareholders are recorded on the ex-date and are based on U.S. generally accepted accounting principles, which may differ from their ultimate characterization for federal income tax purposes.

Distributions made from current and accumulated earnings and profits of the Fund will be taxable to shareholders as dividend income. Distributions that are in an amount greater than the Fund's current and accumulated earnings and profits will represent a tax-deferred return of capital to the extent of a shareholder's basis in the Common Shares, and such distributions will correspondingly increase the realized gain upon the sale of the Common Shares. Additionally, distributions not paid from current and accumulated earnings and profits that exceed a shareholder's tax basis in the Common Shares will be taxed as a capital gain.

Distributions of \$2,319,211 paid during the year ended November 30, 2009, are anticipated to be characterized as taxable dividends for federal income tax purposes. The remaining \$9,207,189 in distributions paid during the year ended November 30, 2009 is expected to be return of capital. However, the ultimate determination of the character of the distributions will be made after the 2009 calendar year. Distributions of \$10,702,017 paid during the year ended November 30, 2008, were characterized as taxable dividends for federal income tax purposes. Distributions will automatically be reinvested in additional Common Shares pursuant to the Fund's Dividend Reinvestment Plan unless cash distributions are elected by the shareholder.

### F. INCOME TAXES:

The Fund is treated as a regular C corporation for U.S. federal income tax purposes and as such will be obligated to pay federal and applicable state and foreign corporate taxes on its taxable income. The Fund's tax expense or benefit is included in the Statement of Operations based on the component of income or gains (losses) to which such expense or benefit relates. The current U.S. federal maximum graduated income tax rate for corporations is 35%. In addition, the U.S. imposes a 20% alternative minimum tax on the recalculated alternative minimum taxable income of an entity treated as a corporation. This differs from most investment companies, which elect to be treated as "regulated investment companies" under the U.S. Internal Revenue Code of 1986, as amended. The various investments of the Fund may cause the Fund to be subject to state income taxes on a portion of its income at various rates.

The tax deferral benefit the Fund derives from its investment in MLPs results largely because the MLPs are treated as partnerships for federal income tax purposes. As a partnership, an MLP has no income tax liability at the entity level. As a limited partner in the MLPs in which it invests, the Fund will be allocated its pro rata share of income, gains, losses, deductions and credits from the MLPs, regardless of whether or not any cash is distributed from the MLPs.

# Edgar Filing: ENERGY INCOME & GROWTH FUND - Form 497

To the extent that the distributions received from the MLPs exceed the net taxable income realized by the Fund from its investment, aFONT size="2">Treasury stock, at cost (

(342.9)

Accumulated other comprehensive income, net of deferred income taxes:

Unrealized gain on derivative securities

3.8

Unrealized gain on marketable securities

1,311.7

Cumulative translation adjustment

(10.3)(8.7)

Pension liability adjustment

(9.3)(9.2)

Total stockholders' equity

\$1,126.2\$936.2

Changes in stockholders' equity are discussed in the note entitled "Reverse Spin-Off Transaction."

## COMPREHENSIVE INCOME (LOSS)

	For Periods Ended June 30,			
	Three Months		Six Months	
	2001	2000	2001	2000
Net earnings (loss)	\$ (11.8)	\$ 27.2	\$ 11.3	\$ 48.1
Items of other comprehensive income before income taxes:				
Change in foreign currency translation adjustment	(2.7)	(6.1)	(1.6)	(3.1)
Change in unrealized gain from derivative securities	0.6	(0.2)	7.0	(0.2)
Change in unrealized gain from marketable securities	0.4	(2.5)		
Change in pension liability		(0.1)		
Less unrealized gain previously reported on derivative and marketable securities settled or sold in this period	(2.5)	0.2	(14.7)	0.2
Total other comprehensive income (loss) before income				

taxes				
	(4.2)	(6.1)	(11.9)	(3.1)
Income tax effect				
	0.5	3.6		

Total other comprehensive income (loss) after income taxes				
	(3.7)	(6.1)	(8.3)	(3.1)

Comprehensive income (loss)				
	\$(15.5)	\$21.1	\$3.0	\$45.0

-13-

## Table of Contents

FORM 10-Q  
CERIDIAN CORPORATION AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
June 30, 2001  
(Dollars in millions, except per share data)  
(Unaudited)

### PAYROLL AND TAX FILING CLIENT FUNDS

In connection with its HRS payroll and tax filing services in the U.S. and Canada, Ceridian derives revenue from income it receives from the investment of client funds pending their remittance to settle client obligations. Ceridian invests a portion of the client funds in money market and other short-term investments to provide liquidity to meet client fund obligations and high-grade marketable securities to produce increased investment income through higher yields to maturity.

Due to the positive intent and ability of the Company to hold the marketable securities until maturity and supporting historical experience, these securities are classified as held-to-maturity and are measured by amortized cost. Disposition of these securities before maturity is expected to be limited to unusual circumstances such as significant deterioration of the issuer's creditworthiness or a major business combination or disposition.

As identified on the consolidated balance sheet, payroll and tax filing client funds and the offsetting obligations amounted to \$2,743.1 at June 30, 2001 and \$2,945.0 at December 31, 2000. This amount varies significantly during the year and averaged \$2,097.8 and \$2,098.4, respectively, for the six-month periods ended June 30, 2001 and 2000. The following tables provide cost and market price information for various classifications of client fund investments and amounts by maturity date.

#### Investments of Payroll and Tax Filing Client Funds

June 30, 2001

December 31, 2000

# Edgar Filing: ENERGY INCOME & GROWTH FUND - Form 497

		<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Money market securities and other cash equivalents		\$ 2,082.1	\$ 2,082.1	\$ 2,154.3	\$ 2,154.3
Held-to-maturity investments:					
U.S. government and agency securities	106.5108.7211.9212.3				
Canadian and provincial government securities	114.9115.5118.9119.5				
Corporate debt securities	154.5155.6141.6141.5				
Asset-backed securities	200.6205.2226.8230.2				
Mortgage-backed and other securities	84.585.291.591.9				
Total held-to-maturity investments	661.0670.2790.7795.4				
Payroll and tax filing client funds					
\$2,743.1\$2,752.3\$2,945.0\$2,949.7					

## Investments of Client Funds by Maturity Date

		<u>Cost</u>	<u>June 30, 2001</u>	<u>Market</u>
Due in one year or less		\$ 2,248.1		\$ 2,249.6
Due in one to three years	330.0334.6			
Due in three to five years	165.0168.1			
Total				
\$2,743.1\$2,752.3				

**Table of Contents**

FORM 10-Q  
 CERIDIAN CORPORATION AND SUBSIDIARIES  
 Notes to Consolidated Financial Statements  
 June 30, 2001  
 (Dollars in millions, except per share data)  
 (Unaudited)

## CAPITAL ASSETS

	<u>June 30, 2001</u>	<u>December 31, 2000</u>
Property, Plant and Equipment		
Land		
\$12.4\$12.1		
Machinery and equipment	247.6235.0	
Buildings and improvements	82.280.7	
	342.2327.8	
Accumulated depreciation	(183.7)(167.4)	
Property, plant and equipment, net		
\$158.5\$160.4		
Goodwill		
Goodwill		
\$980.8\$988.1		
Accumulated amortization	(103.5)(90.2)	
Goodwill, net		
\$877.3\$897.9		
Other Intangible Assets		
Customer lists		
\$36.8\$36.1		
Trademarks	49.349.2	
Technology	43.443.7	
Other	36.435.1	
Total other intangible assets		

# Edgar Filing: ENERGY INCOME & GROWTH FUND - Form 497

165.9164.1

Accumulated amortization

(43.2)(35.7)

Other intangible assets, net  
\$122.7\$128.4

Software and Development Costs  
Purchased software  
\$42.0\$29.8  
Other software development cost

77.160.0

119.189.8  
Accumulated amortization  
(38.0)(32.8)

Software and development costs, net  
\$81.1\$57.0

For Periods Ended  
June 30,  
Six Months

Depreciation and Amortization

2001 2000

Depreciation and amortization  
of property, plant and  
equipment  
\$21.1\$19.2  
Amortization of goodwill  
17.616.6

Amortization of other  
intangible assets  
7.67.1

Amortization of software and  
development costs  
5.64.4

Pension credit  
(4.8)(4.8)

Total  
\$47.1\$42.5



**Table of Contents**

FORM 10-Q  
CERIDIAN CORPORATION AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
June 30, 2001  
(Dollars in millions, except per share data)  
(Unaudited)

## SEGMENT DATA

**For Periods Ended  
June 30,  
Six Months**

**2001                      2000**

---



---

## Human Resource Services

## Revenue

\$446.1\$442.0

## EBIT before unusual charges and gains

\$31.5\$54.3

## Unusual (charges) gains

(3.6)(37.0)

## EBIT

\$27.9\$17.3

## Total assets at June 30, 2001 and December 31, 2000 before client funds

\$1,282.3\$1,264.7

## Payroll and tax filing client funds

2,743.12,945.0

## Total assets at June 30, 2001 and December 31, 2000

\$4,025.4\$4,209.7

## Comdata

## Revenue

\$153.6\$150.7

## EBIT before unusual charges and gains

\$39.3\$34.2

## Unusual (charges) gains

(59.0)(2.6)

## EBIT

\$(19.7)\$31.6

## Total assets at June 30, 2001 and December 31, 2000

\$579.8\$572.6

## Other

## Revenue

\$ \$

## EBIT before unusual charges and gains

\$ \$

## Unusual (charges) gains

12.39.1

## EBIT

\$12.3\$9.1

## Total assets at June 30, 2001 and December 31, 2000

# Edgar Filing: ENERGY INCOME & GROWTH FUND - Form 497

\$198.7	\$250.7
Total Ceridian	
Revenue	
\$599.7	\$592.7
EBIT before unusual charges and gains	
\$70.8	\$88.5
Unusual (charges) gains	
	(50.3)(30.5)

EBIT	
\$20.5	\$58.0
Total assets at June 30, 2001 and December 31, 2000 before client funds	
\$2,060.8	\$2,088.0
Payroll and tax filing client funds	
	2,743.12,945.0

Total assets at June 30, 2001 and December 31, 2000  
\$4,803.9\$5,033.0

-16-

## Table of Contents

### CERIDIAN CORPORATION AND SUBSIDIARIES FORM 10-Q June 30, 2001

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

*This quarterly report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The statements regarding Ceridian Corporation contained in this report that are not historical in nature, particularly those that utilize terminology such as may, will, should, likely, expects, anticipates, estimates, believes or plans, or comparable terminology, are forward-looking statements based on current expectations and assumptions, and entail various risks and uncertainties that could cause actual results to differ materially from those expressed in such forward-looking statements. Important factors known to Ceridian that could cause such material differences are identified and discussed from time to time in Ceridian's filings with the Securities and Exchange Commission, including those factors discussed in this quarterly report on Form 10-Q and discussed in and incorporated by reference into Ceridian's Annual Report on Form 10-K for the year ended December 31, 2000, which factors are also incorporated herein by reference. Such important factors include implementation and success of plans to improve performance of U.S. payroll business, government regulation changes on timing of remittance and interest rate changes and investment income from customer deposits, changes in tax withholding rules, ability to increase revenue from cross-selling efforts and new products, ability to improve operating margins in Human Resource Services, customer retention, effecting system upgrades and conversions, ability to adapt to changing technology, acquisition risks, competitive conditions, liability as a portability administrator, changes in government regulations, Comdata's relationships with key vendors and suppliers, risks associated with the Arbitron reverse spin-off, risks associated with litigation and similar matters, and other factors such as trade, monetary and fiscal policies and political and economic conditions. Ceridian undertakes no obligation to correct or update any forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any future disclosure Ceridian makes on related subjects in future reports to the SEC.*

## RESULTS OF OPERATIONS

### Consolidated Results

For the second quarter of 2001, Ceridian reported a loss of \$11.8 million, or \$.08 per diluted share of common stock, on revenue of \$290.1 million. For the second quarter of 2000, Ceridian reported net earnings of \$27.2 million, or \$.19 per diluted share of common stock, and earnings from continuing operations of \$18.4 million, or \$.13 per diluted share of common stock, on revenue of \$283.1 million. For the first half of 2001, Ceridian reported net earnings of \$11.3 million, or \$.08 per diluted share of common stock, and earnings from continuing operations of

## Edgar Filing: ENERGY INCOME & GROWTH FUND - Form 497

\$6.1 million, or \$ .04 per diluted share of common stock, on revenue of \$599.7 million. For the first half of 2000, Ceridian reported net earnings of \$48.1 million, or \$ .33 per diluted share of common stock, and earnings from continuing operations of \$24.9 million, or \$ .17 per diluted share of common stock, on revenue of \$592.7 million. Net earnings for the first half of 2001 included a \$5.2 million reduction of the previously reported loss from the Arbitron reverse spin-off and for the first half of 2000 included \$23.2 million of earnings from the discontinued operations of Arbitron. Results for the comparative periods also included unusual items that are described in the section of this discussion entitled Unusual Items.

In the following tables, the amount of goodwill amortization for the period is presented separately from other selling, general and administrative expense ( SG&A ), R&D expense represents research and development costs, EBIT represents earnings (loss) before interest and taxes and percentage relationships that are not meaningful are represented by NM. The references to the results of HRS relate to the human resource services division and subsidiaries of Ceridian, of Comdata relate to the Ceridian's transportation and card services subsidiaries, and of Other relate to the corporate center operations of Ceridian not allocated to the business segments.

-17-

### Table of Contents

#### CERIDIAN CORPORATION AND SUBSIDIARIES FORM 10-Q June 30, 2001

#### **Statements of Operations Second Quarter Comparisons**

*(Dollars in millions, except per share data)*

	<u>Amount</u>		<u>Inc (Dec)</u>		<u>% of Revenue</u>	
	<u>2001</u>	<u>2000</u>	<u>\$</u>	<u>%</u>	<u>2001</u>	<u>2000</u>
Revenue	\$ 290.1	\$ 283.1	7.0	2.5	100.0	100.0
Cost of revenue						
	142.2	141.1	1.1	0.8	49.0	49.8
Goodwill amortization			8.7	3.1		
			40.3	14.2		
SG&A expense other			88.5	31.3		
			79.8	28.2		
R&D expense			15.2	5.4		
			20.0	7.1		
Other expense (income)			52.5	18.2		
			352.2	125.1		
Total costs and expenses			307.1	108.6		
			244.9	86.5		
EBIT			(17.0)	13.5		
			38.2	13.5		
Interest income			1.7	0.6		
			80.9	28.9		
Interest expense			(4.0)	(1.4)		
			(9.6)	(3.4)		
Earnings (loss) before income taxes			(19.3)	10.4		
			29.4	10.4		
Income tax provision (benefit)			(7.5)	3.9		
			11.0	3.9		
Earnings (loss) from continuing operations			\$(11.8)	6.5		
			\$18.4	6.5		
Diluted earnings (loss) per share			\$(0.08)	(0.21)		
			\$0.13	(0.21)		

## Edgar Filing: ENERGY INCOME & GROWTH FUND - Form 497

In the second quarter of 2001, consolidated revenue increased by 2.5% compared to the second quarter of 2000 with each business segment experiencing approximately the same revenue growth. The key factors limiting revenue growth in the quarterly comparison for HRS were a lower number of customer employees, the weakness of the Canadian dollar and pound sterling against the U.S. dollar, and falling yields on invested payroll and tax filing client funds. The key factors limiting revenue growth for Comdata were the impact of the general economic slowdown on the transportation industry and the July 2000 sale of the phone resale business. Key factors offsetting these limiting factors were the benefits of a higher level of orders in HRS, increased revenue from stored value cards in Comdata, and improved customer retention and satisfaction in both business segments.

Total costs and expenses increased by \$62.2 million in the quarterly comparison, due principally to Flying J litigation costs of \$52.4 million further described in the section below entitled *Unusual Items*. HRS costs and expenses increased by \$11.2 million, primarily due to increased selling expense. Comdata's costs and expenses, not including the Flying J litigation costs, decreased by \$1.3 million, primarily due to the elimination of costs related to the phone resale business sold in July 2000 and cost savings from the termination of an outsourced transaction processing contract in the first quarter of 2001. Comparative costs and expenses are further discussed in the following section entitled *Business Segments*.

Interest income increased by \$0.9 million in the quarterly comparison due to a higher average invested cash balance. Interest expense decreased by \$5.6 million due primarily to the refinancing of the Company's debt in connection with the Arbitron reverse spin-off transaction, which is further described in the note to the consolidated financial statements entitled *Financing*, and lower interest rates. The income tax provision in the second quarter of 2000 became an income tax benefit in the second quarter of 2001 primarily due to the decrease in pre-tax earnings resulting from the Flying J litigation cost. The effective tax rate for the second quarter of 2001 was 39.3% compared to 37.3% for the second quarter of 2000.

-18-

### Table of Contents

#### CERIDIAN CORPORATION AND SUBSIDIARIES FORM 10-Q June 30, 2001

#### **Statements of Operations First Half Comparisons** (Dollars in millions, except per share data)

	<u>Amount</u>		<u>Inc (Dec)</u>		<u>% of Revenue</u>	
	<u>2001</u>	<u>2000</u>	<u>\$</u>	<u>%</u>	<u>2001</u>	<u>2000</u>
Revenue	\$ 599.7	\$ 592.7	7.0	1.2	100.0	100.0
Cost of revenue						
	287.9	289.4	(1.5)	(0.5)	48.0	48.8
Goodwill amortization						
	17.6	16.5	1.1	6.2	2.9	2.8
SG&A expense other						
	192.5	167.1	25.4	15.3	32.1	28.2
R&D expense						
	31.1	30.3	0.8	2.5	5.1	5.1
Other expense (income)						
	50.1	131.4	(81.3)	(75.9)	8.4	22.3
Total costs and expenses						
	579.2	534.7	44.5	58.3	96.6	90.2
EBIT						
	20.5	58.0	(37.5)	(64.6)	3.4	9.8
Interest income						
	3.5	1.8	1.7	79.7	0.6	0.3
Interest expense						
	(13.0)	(19.5)	6.5	(33.4)	(2.2)	(3.3)
Earnings before income taxes						

# Edgar Filing: ENERGY INCOME & GROWTH FUND - Form 497

11.040.3(29.3)(72.6)1.86.8

Income taxes

4.915.4(10.5)(68.4)0.82.6

Earnings from continuing operations

\$6.1\$24.9(18.8)(75.2)1.04.2

Diluted earnings per share

\$0.04\$0.17(0.13)(76.5)

In the first half of 2001, consolidated revenue increased by \$7.0 million compared to the first half of 2000 with each business segment experiencing modest revenue growth. The key factors affecting revenue growth in the first half comparison were the same as in the quarterly comparison.

Total costs and expenses increased by \$44.5 million in the first half comparison, due principally to the second quarter 2001 Flying J litigation costs of \$52.4 million further described in the section below entitled Unusual Items. HRS costs and expenses decreased by \$6.5 million including unusual costs of \$3.6 million in the first half of 2001 and \$37.0 million in the first half of 2000. Comdata's costs and expenses, including the unusual Flying J litigation and first quarter contract termination costs of \$59.0 million in the first half of 2001 and \$2.6 million in the first half of 2000, increased by \$54.2 million. A year-to-date net decrease of \$3.2 million in Other costs and expenses resulted from a \$12.3 million unusual gain in the first quarter of 2001 and a \$9.1 million unusual gain recorded in the first quarter of 2000. These unusual costs and gains are further described in the sections below entitled Other and Unusual Items. Without regard to the unusual items, HRS costs and expenses were \$414.6 million in the first half of 2001, compared to \$387.7 million for the first half of 2000. This increase of \$26.9 million in HRS costs and expenses is due principally to higher selling expense arising from a significant expansion of the U.S. sales force. Without regard to unusual items, Comdata costs and expenses were \$114.3 million for the first half of 2001, compared to \$116.5 million for the first half of 2000. This reduction of \$2.2 million in costs and expenses is primarily due to the elimination of costs related to the phone resale business sold in July 2000 and cost savings from the termination of an outsourced transaction processing contract in the first quarter of 2001. Comparative costs and expenses are further discussed in the following section entitled Business Segments.

Interest income increased by \$1.7 million in the first half comparison due to a higher average invested cash balance related to an accumulation of cash during the first quarter of 2001 in preparation for the Arbitron reverse spin-off. Interest expense decreased by \$6.5 million due primarily to reductions in the average outstanding U.S. and Canadian revolving credit balances in the comparative quarters. Income taxes decreased by \$10.5 million primarily due to the decrease in pre-tax earnings. The effective tax rate for the first half of 2001 was 44.0% compared to 38.2% for the first half of 2000.

-19-

## Table of Contents

### CERIDIAN CORPORATION AND SUBSIDIARIES FORM 10-Q June 30, 2001

#### Business Segment Results

#### Segment Second Quarter Comparisons

				(Dollars in millions)	
		Amount		Inc (Dec)	
				% of Revenue	
		2001	2000	\$	%
		2001	2000		
<b>Revenue</b>					
HRS					
		\$213.0	\$208.2	4.8	3.5
Comdata					
		77.1	74.9	2.2	2.3
Total					
		\$290.1	\$283.1	7.0	2.5
<b>EBIT</b>					
HRS					
		\$12.5	\$18.9	(6.4)	(33.9)
		5.9	9.1		

# Edgar Filing: ENERGY INCOME & GROWTH FUND - Form 497

Comdata  
(29.5)19.3(48.8)NM(38.3)25.8  
Other  
NMNM  
Total  
\$(17.0)\$38.2(55.2)(144.6)(5.9)13.5

## Segment First Half Comparisons

	Amount		Inc (Dec)		(Dollars in millions) % of Revenue	
	2001	2000	\$	%	2001	2000
<b>Revenue</b>						
HRS						
\$446.1\$442.04.10.974.474.6						
Comdata						
153.6150.72.92.025.625.4						
Total						
\$599.7\$592.77.01.2100.0100.0						
<b>EBIT</b>						
HRS						
\$27.9\$17.310.661.96.33.9						
Comdata						
(19.7)31.6(51.3)(162.3)(12.8)21.0						
Other						
12.39.13.234.5NMNM						
Total						
\$20.5\$58.0(37.5)(64.6)3.49.8						

## Human Resource Services

Second quarter 2001 revenue in HRS increased by \$4.8 million over the second quarter of 2000 as revenue increases totaling \$6.3 million in the work/life and benefits services businesses, against a weak 2000 second quarter, and \$1.8 million in HRS operations in Canada and the United Kingdom more than offset a decrease totaling \$3.3 million in the U.S. payroll and training businesses. First half 2001 HRS revenue increased by \$4.1 million over the first half of 2000 as increases totaling \$7.6 million in the work/life and benefits services businesses and \$6.3 million in HRS operations in Canada and the United Kingdom more than offset a decrease of \$9.8 million in the U.S. payroll and training businesses. Ceridian has announced that it expects to sell its training business, which reported revenue of \$2.7 million in the second quarter and \$5.3 million in the first half of 2001, during the third quarter of 2001. Revenue performance for Canada and the UK was reduced by \$2.9 million in the quarterly comparison and \$5.2 million in the year-to-date comparison due to the weakness of the Canadian dollar and pound sterling against the U.S. dollar. Interest income from investment of payroll and tax filing client funds included in HRS revenue decreased by \$3.6 million in the quarterly comparison as the average yield fell from 6.07% for the 2000 period to 5.51% in the 2001 period. In the year-to-date comparison, revenue decreased by \$2.7 million as the average yield fell from 5.99% for the 2000 period to 5.73% for the 2001 period.

-20-

## Table of Contents

### CERIDIAN CORPORATION AND SUBSIDIARIES FORM 10-Q June 30, 2001

Ceridian has in place interest rate collars with an average floor of 5.2% covering \$700 million of short-term client fund investments that, along with longer term investments and floating rate debt, should minimize the effect of any further decline in interest rates. The average balance of invested funds decreased by 2.9% in the quarterly comparison as the 4.1% decline in U.S. balances exceeded the 1.2% increase in Canadian balances. The average balance of invested funds was essentially unchanged in the first half comparison. The decreases in the quarterly comparison for U.S. payroll business revenue and client fund balances are largely due to a decrease in the number of employees of existing customers, offset in part by a general price increase in the first quarter of 2001.

## Edgar Filing: ENERGY INCOME & GROWTH FUND - Form 497

HRS costs and expenses increased \$11.2 million from the second quarter of 2000 to the second quarter of 2001 and decreased by \$6.5 million from the first half of 2000 to the first half of 2001. The comparisons reflect the impact of unusual items recorded in the first quarters of 2000 and 2001 and the Company's commitment in late 2000 to add approximately 160 sales personnel and to reorganize and better compensate its sales force. The increases in SG&A expense of \$9.0 million in the quarterly comparison and \$24.1 million in the first half comparison were due largely to increases of \$6.8 million and \$18.2 million in selling expense, reflecting the significant additions to the sales force in U.S. operations in late 2000 and early 2001, reorganization costs and higher compensation levels. General and administrative expense increased by \$2.2 million in the quarterly comparison and \$5.9 million in the first half comparison due largely to management reorganization costs and higher compensation levels. An increase between the comparative quarters of \$1.0 million and comparative year-to-date periods of \$2.8 million in R&D expense involved U.S. payroll, benefits services and tax filing product development efforts. Other costs and expenses included unusual items aggregating \$3.6 million for the first half of 2001 and \$37.0 million for the first half of 2000, which are further discussed in the section below entitled Unusual Items.

### Comdata

Comdata revenue for the second quarter of 2001 increased by \$2.2 million over revenue for the second quarter of 2000 and by \$2.9 million in the first half of 2001 compared to the first half of 2000. Revenue increases in the retail cash card business amounted to \$4.0 million in the quarterly comparison and \$10.5 million in the first half comparison. The revenue comparisons were adversely affected by the loss of \$4.1 million and \$8.9 million of revenue recorded in the second quarter and first half, respectively, of 2000 by the phone resale business sold in July 2000. Lower revenues for permitting and local fueling also limited revenue growth in both comparisons, as local fueling operations continues to develop the systems needed to service recently-signed major customers. Softening general economic conditions have significantly affected the freight market, resulting in reduced trucking activity and increased failures of trucking firms. It is expected that Comdata revenue levels will continue to be adversely impacted if the economic slowdown continues.

-21-

---

### Table of Contents

#### CERIDIAN CORPORATION AND SUBSIDIARIES FORM 10-Q June 30, 2001

Comdata's costs and expense increased by \$51.0 million from the second quarter of 2000 to the second quarter of 2001 and by \$54.2 million in the first half comparison due largely to the Flying J litigation costs of \$52.4 million in the second quarter of 2001. Without regard to these litigation costs, total costs and expenses would have declined by \$1.4 million in the quarterly comparison and increased by \$1.8 million in the first half comparison. Cost of revenue was essentially unchanged in the quarterly comparison and decreased by \$1.5 million in the first half comparison due primarily to the net effect of higher revenue from the retail cash card business and sale of the phone resale business. The bad debt provision of \$3.1 million for the second quarter of 2001 increased by \$1.0 million over the second quarter 2000 amount. The bad debt provision for the first half of 2001 of \$6.9 million represents a decrease of \$0.5 million from the first half of 2000, which included an unusually high provision in the first quarter of 2000. Selling expense changed little between the comparative periods. General and administrative expenses decreased \$0.2 million in the quarterly comparison and \$2.5 million in the first half comparison as increases of \$0.5 million and \$1.6 million in goodwill and other intangibles amortization costs resulting from the acquisition of the remaining interest in Stored Value Systems, Inc. in March 2000 were offset by estimated costs savings of \$1.0 million in the second quarter of 2001 related to bringing an outsourced transaction processing service in-house. R&D expense decreased by \$1.1 million and \$2.0 million, respectively, in the quarterly and first half comparisons due largely to the termination of the outsourced transaction processing development arrangement. Other expense (income) in the first half of 2001 included the second quarter Flying J litigation costs of \$52.4 million and a first quarter \$6.6 million transaction processing contract termination charge. The first quarter of 2000 included \$2.6 million of unusual charges related primarily to facility closures. These unusual charges are further described in the section below entitled Unusual Items.

### Other

Other includes the unallocated amounts related to the corporate center operations of Ceridian. The reported EBIT for the first half of 2001 relates to gains of \$12.3 million in first quarter and \$1.3 million in second quarter from the sale of marketable securities described in the notes to the consolidated financial statements entitled Short-Term Investments and Investing Activity and a second quarter provision for legal costs of \$1.3 million. The reported EBIT for the first half of 2000 relates to the recovery of accruals in the amount of \$10.0 million from unusual charges recorded in 1997, reduced by \$0.9 million of severance costs included in the first quarter 2000 unusual charges. Further details on unusual charges and recoveries are provided in the section below entitled Unusual Items.

### Unusual Items

# Edgar Filing: ENERGY INCOME & GROWTH FUND - Form 497

	For Periods Ended June 30,			
	Three Months		Six Months	
	2001	2000	2001	2000
Gain on sale of marketable securities	\$ (1.3)	\$	\$ (13.6)	\$
Accrued exit costs (severance, occupancy and contract terminations)		9.926.4		
Recoveries of 2000 severance in 2001 and 1997 other exit costs in 2000		(3.2)(14.2)		
Impairment loss due to asset write-downs		6.118.3		
Gain on derivative securities		(2.6)		
Litigation costs		53.7	53.7	
Total				
\$52.4\$ \$50.3\$30.5				

-22-

## Table of Contents

### CERIDIAN CORPORATION AND SUBSIDIARIES FORM 10-Q June 30, 2001

The gain on sale of marketable securities of \$13.6 million is further described in the notes to the consolidated financial statements entitled Short-Term Investments and Investing Activity. The gain on derivative securities relates to the adoption of Financial Accounting Standard No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended, which is further described in the note to the consolidated financial statements entitled Derivative Securities. The litigation costs include a settlement of \$49.0 million and other costs of \$3.4 million related to the Flying J litigation, which is further described in Part II, Item 1 of this report, and a provision of \$1.3 million for litigation costs not allocated to the business segments.

The year-to-date 2001 unusual items include first quarter 2001 accrued exit costs and asset write-downs resulted from management decisions by Comdata in February 2001 to bring certain transaction processing operations in-house and by HRS in March 2001 to consolidate certain work/life employee assistance operations located in Boston, Mass. into a similar operation in Philadelphia, Penn., prepare a small business for sale, and write off excess costs related to a software development project. The accrued exit costs of \$9.9 million include \$6.6 million for termination by Comdata of an outsourced transaction processing contract (paid during first quarter 2001), HRS severance costs of \$2.3 million (representing 250 employees terminated by June 30, 2001) and excess occupancy costs (primarily from idled leased space) of \$1.0 million. Recoveries of \$3.2 million relate primarily to a reduction in the scale of downsizing of the HRS St. Louis, Missouri customer service operations. The asset write-downs of \$6.1 million included \$1.1 million for surplus furniture and equipment, \$1.9 million of goodwill and \$3.1 million of software and development cost. The impairment of goodwill was determined by comparing the unamortized goodwill that related to the employee training business to the undiscounted cash flows that was expected to be received over the amortization period. The impairment of software and development costs resulted from the decision to enter into a software licensing agreement with Ultimate Software Group, Inc. to provide payroll services to middle-market Ceridian customers rather than to develop such a software product internally. The amount of the write-down was determined by comparing the project carrying cost to the recoverable value of the hardware and developed software used in the project. Further information on these activities is presented in the note to the consolidated financial statements entitled Other Expense (Income).



## Edgar Filing: ENERGY INCOME & GROWTH FUND - Form 497

First half 2000 results reflected \$44.7 million of unusual charges in first quarter, reduced by the first quarter recovery of \$14.2 million of accruals from unusual charges in prior years to a net charge of \$30.5 million. Of the \$44.7 million of unusual pre-tax charges, \$41.2 million related primarily to HRS initiatives to improve customer service and the quality of operations in the U.S. payroll business during 2000. The remaining \$3.5 million related to similar activities in Comdata and corporate center operations. The unusual charges are comprised of \$26.4 million of accrued exit costs and \$18.3 million of asset write-downs. The accrued exit costs initially included \$16.4 million of severance costs and \$10.0 million of other exit costs (primarily from idled leased space). As of June 30, 2001, payments of \$11.5 million and recoveries of \$3.2 million had reduced the accrued severance costs to a balance of \$1.7 million. At the same date, payments of \$7.4 million had reduced the accrued other exit costs to a balance of \$2.6 million.

-23-

### Table of Contents

#### CERIDIAN CORPORATION AND SUBSIDIARIES FORM 10-Q June 30, 2001

### FINANCIAL CONDITION

#### **Consolidated Statements of Cash Flows Highlights**

*(Dollars in millions)*

	<b>2001</b>	<b>Six Months Ended June 30, 2000</b>	<b>Change</b>
	<u>2001</u>	<u>2000</u>	<u>Change</u>
Operating activities	\$ 36.8	\$ 132.2	\$ (95.4)
Investing activities			
	(51.7)	(114.0)	62.3
Financing activities			
	(3.2)	(20.6)	17.4
Net cash flows provided (used)			
	\$(18.1)	\$(2.4)	\$(15.7)
Cash and equivalents at 6/30/01 and 12/31/00			
	\$100.4	\$118.5	\$(18.1)

#### **Reconciliation of Earnings to Cash Inflows (Outflows) from Operating Activities**

*(Dollars in millions)*

	<b>2001</b>	<b>Six Months Ended June 30, 2000</b>	<b>Change</b>
	<u>2001</u>	<u>2000</u>	<u>Change</u>
Earnings from continuing operations	\$ 6.1	\$ 24.9	\$ (18.8)
Provision for deferred income taxes			
	2.8	28.5	(25.7)
Depreciation and amortization			
	47.1	142.5	54.6
Gains on marketable and derivative securities			
	(16.2)	(16.2)	
Asset write-downs			
	6.1	118.3	(12.2)
Other reconciling items			
	(2.3)	(1.0)	(1.3)
From continuing operations earnings			
	43.6	113.2	(69.6)
From continuing operations working capital activities			
	(6.0)	8.7	(14.7)
Operating cash flows from continuing operations			
	37.6	121.9	(84.3)
From discontinued operations			
	(0.8)	10.3	(11.1)

## Edgar Filing: ENERGY INCOME & GROWTH FUND - Form 497

Cash flows provided by operating activities  
\$36.8\$132.2\$(95.4)

Cash and equivalents decreased by \$18.1 million to \$100.4 million during the first half of 2001. Operating cash flows were reduced by the \$34.1 million after-tax effect payment of the Flying J litigation costs in May 2001. Without regard to the effect of these litigation costs, operating cash flows from continuing operations would have been \$71.7 million in the first half of 2001. In addition to the Flying J litigation costs, the \$69.6 million reduction in cash flows from continuing operations earnings was reduced by \$25.7 million representing the loss of tax savings from use of the net operating loss carryforward that was assumed by Arbitron Inc. in connection with the Arbitron reverse spin-off. Working capital activities of continuing operations used \$6.0 million during the first half of 2001, an increase in cash used of \$14.7 million in the year-to-date comparison. This change reflects a build-up of receivables of \$11.4 million in the current year-to-date, compared to a build-up of \$29.7 million in the first half of 2000. The \$18.3 million increase in cash provided by receivables related to Comdata activities and is offset in part by a decrease of \$22.5 million in cash provided by Comdata drafts payable. The relationship of the period-end date and the timing of weekly draft clearing operations at Comdata significantly affect the amount of drafts payable and receivables outstanding.

-24-

### Table of Contents

#### CERIDIAN CORPORATION AND SUBSIDIARIES

FORM 10-Q

June 30, 2001

Investing cash flows in the first half of 2001 included capital expenditures of \$20.9 million for property and equipment and \$32.8 million for software and development costs, most of which took place during the first quarter. First half 2001 investing cash flows also included a first quarter advance of \$10.0 million to Ultimate Software Group, Inc. to acquire a non-exclusive software license. The sale of 1,420,564 shares of the common stock of HotJob.com, Ltd. during the first half of 2001 provided proceeds of \$13.6 million. Net investing cash outflows in the first half of 2000 of \$114.0 million included \$49.7 million of capital expenditures and and \$65.1 million for acquisitions. The capital expenditures included \$24.7 million of construction in progress for the new Ceridian headquarters and the renovation of a facility for the benefits services operations of HRS. The acquisition expenditures included \$50.9 million for the acquisition of the remaining ownership interest in Stored Value Systems, Inc. and \$14.2 million for other purchase acquisitions, primarily for a UK payroll service. Further information is provided in the notes to the consolidated financial statements entitled Short-Term Investments and Investing Activity.

Financing activities in the first half of 2001 largely involved transactions related to the Arbitron reverse spin-off, further described in the notes to the consolidated financial statements entitled Reverse Spin-Off Transaction and Financing. At the time of the spin-off, advances of \$235.0 million from the January 2001 credit facility, the \$225.0 million Arbitron payment and existing cash balances funded the required early retirement of the \$430.0 million of senior notes outstanding and payment of the \$50.0 million balance outstanding under the \$250.0 million domestic revolving credit facility dated July 1997. The redemption of senior notes required a payment of \$456.5 million, which included \$26.5 million under a make-whole provision of the senior notes agreement, based on the relationship of the nominal interest rate of the senior notes to a certain market rate. The establishment of the January 2001 credit facility resulted in the payment of \$1.0 million for origination costs that will be amortized over the term of the facility. During the second quarter of 2001, Ceridian drew an additional \$50.0 million of advances on the January 2001 credit facility in connection with the settlement of the Flying J litigation. In addition, the balance outstanding on the Canadian revolving credit agreements was reduced from \$19.1 million to \$9.6 million by payments of \$9.1 million and currency translation adjustments of \$0.4 million during the first half of 2001. Financing cash flows in the first half of 2000 included the repurchase on the open market of \$20.0 million face amount of senior notes and payments under the Canadian revolving credit facilities.

The \$225.0 million payment liability, combined with other assets and liabilities of Arbitron, resulted in net liabilities of discontinued operations of \$182.9 million at the time of the spin-off, which increased the Company's retained earnings in that amount when the spin-off took place. Additionally, the par value of Ceridian's common stock was established as \$.01 per share compared to \$.50 per share prior to the spin-off and the Company's treasury common stock was eliminated, resulting in a reduction of additional paid-in capital of \$262.2 million. Further details on financing and equity transactions are presented in the notes to the consolidated financial statements entitled Reverse Spin-Off Transaction and Stockholders' Equity.

Under its January 2001 credit facility that continues until March 2006, Ceridian has \$63.0 million available at June 30, 2001 under its current commitment of \$350.0 million and may request an additional commitment of up to \$150.0 million. The January 2001 credit facility, cash balances and expected positive operating cash flows are expected to meet Ceridian's currently planned needs for capital expenditures and acquisitions.

-25-

**Table of Contents**

CERIDIAN CORPORATION AND SUBSIDIARIES  
FORM 10-Q  
June 30, 2001

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Ceridian's market risk exposure is primarily interest rate risk related to revenue derived from customer payroll and tax filing deposits. There have been no material changes in the Company's market risk during the six-month period ended June 30, 2001. For additional information on market risk, refer to Part II, Item 7A, Quantitative and Qualitative Disclosure About Market Risk, contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

Ceridian's exposure to other forms of market risk, including foreign exchange risk, is negligible. Foreign operations consist of payroll and human resource operations in Canada and the UK. These foreign operations serve their respective domestic markets, with all revenues and expenses denominated in local currency. Other intercompany charges between U.S. and non-U.S. based operations are not material. Translation adjustments on investments in foreign operations are reported in comprehensive income, and are not hedged.

-26-

---

**Table of Contents**

CERIDIAN CORPORATION AND SUBSIDIARIES  
FORM 10-Q  
June 30, 2001

**Part II. Other Information**

**Item 1. Legal Proceedings**

Ceridian and its subsidiaries are involved in a number of judicial and administrative proceedings considered normal in the nature of their current and past operations, including employment-related disputes, contract disputes, government proceedings, customer disputes, and tort claims. In some proceedings, the claimant seeks damages as well as other relief, which, if granted, would require substantial expenditures on the part of Ceridian.

Some of these matters raise difficult and complex factual and legal issues, and are subject to many uncertainties, including the facts and circumstances of each particular action, and the jurisdiction, forum and law under which each action is proceeding. Because of this complexity, final disposition of some of these proceedings may not occur for several years. As such, Ceridian is not always able to estimate the amount of its possible future liabilities. There can be no certainty that Ceridian may not ultimately incur charges in excess of presently or future established accruals or insurance coverage. Although occasional adverse decisions (or settlements) may occur, it is the opinion of management that the final disposition of these proceedings will not, considering the merits of the claims and available reserves, have a material adverse effect on Ceridian's financial position or results of operations.

**Flying J and NCR**

Flying J, Inc., which operates a chain of truck stops, and its affiliated entities, TCH, LLC, CFJ Properties, Inc., TFJ and TON Services, Inc., filed a complaint in the United States District Court for the Northern District of Utah against Comdata Network, Inc., a wholly-owned subsidiary of Ceridian, alleging violations of federal and state antitrust laws and asserting state law claims of interference with contractual relations and unfair competition. The complaint, which was originally filed on July 11, 1996, was subsequently amended four times. In addition, NCR Corporation intervened in this lawsuit as an additional plaintiff, filing a complaint on September 10, 1999, alleging claims similar to those asserted by the original plaintiffs (Flying J, its affiliated entities and NCR are referred to herein as "Flying J Plaintiffs"). This lawsuit was set for a jury trial beginning in June 2001. On November 15, 2000, Flying J served and filed a complaint against Ceridian in the same court accompanied

## Edgar Filing: ENERGY INCOME & GROWTH FUND - Form 497

by a motion to stay following Ceridian's answer. The complaint against Ceridian contained largely the same allegations as were brought against Comdata. Comdata believed that the amount of actual damages that the Flying J Plaintiffs were claiming was in the range of \$200 to \$300 million prior to trebling. Effective as of May 21, 2001, Comdata and Ceridian, without admitting any wrongdoing or liability and to avoid the expense of further litigation, entered into a Settlement Agreement and Release with the Flying J Plaintiffs which resulted in a payment to the Flying J Plaintiffs of \$49 million; license agreements entered into between Comdata and plaintiff TCH LLC and Comdata and Flying J; and a complete dismissal with prejudice of all the lawsuits. The forms of the license agreements with Flying J, Inc. and TCH LLC are substantially similar in form to other license agreements granted by Comdata relating to (i) processing of the Comdata card services over third party point-of-sale systems; and (ii) processing of third party cards on Comdata's Trender point-of-sale system.

-27-

### **Table of Contents**

#### CERIDIAN CORPORATION AND SUBSIDIARIES FORM 10-Q June 30, 2001

### **Item 4. Submission of Matters to a Vote of Security Holders**

Ceridian's annual meeting of stockholders was held on May 24, 2001. Of the 145,829,422 shares of Ceridian common stock entitled to vote at the meeting, 131,586,143 shares were present at the meeting in person or by proxy.

The nine people designated by Ceridian's Board of Directors as nominees for director were elected, with voting as follows:

<b><u>Nominee</u></b>	<b><u>Total Votes For</u></b>	<b><u>Total Votes Withheld</u></b>
Bruce R. Bond	131,282,136	304,007
William J. Cadogan		
	131,235,408350,735	
Nicholas D. Chabraja		
	131,280,414305,729	
Robert H. Ewald		
	131,292,269293,874	
Ronald T. LeMay		
	131,083,501502,642	
George R. Lewis		
	131,278,462307,681	
Ronald L. Turner		
	131,285,468300,675	
Carole J. Uhrich		
	131,274,850311,293	
Paul S. Walsh		
	125,610,5185,975,625	

Stockholders also voted to approve the Ceridian Corporation 2001 Long Term Stock Incentive Plan. The number of votes FOR approval of this plan was 111,719,354; the number AGAINST was 6,375,229; and the number ABSTAINING was 113,855.

### **Item 5. Other Information**

Effective as of July 31, 2001, Mr. Paul S. Walsh resigned from the Board of Directors and committees of Ceridian. Mr. Walsh advised the Company that he was resigning from the Board for personal reasons associated with the difficult logistics of attending Ceridian meetings while residing in the United Kingdom, and did not state that he has disagreements with Ceridian on any matter, including matters relating to Ceridian's operations, policies or practices.

-28-

**Table of Contents**

CERIDIAN CORPORATION AND SUBSIDIARIES

FORM 10-Q

June 30, 2001

**Item 6. Exhibits and Reports on Form 8-K**

(a) Exhibits.

None.

(b) Reports on Form 8-K.

On April 18, 2001, Ceridian filed a Current Report on Form 8-K, dated April 18, 2001, containing its press release reporting first quarter 2001 earnings results.

On May 22, 2001, Ceridian filed a Current Report on Form 8-K, dated May 21, 2001, containing a joint press release with its Comdata Network, Inc. subsidiary reporting that Ceridian and Comdata, without admitting any wrongdoing or liability and to avoid the uncertainties of jury trial litigation, entered into a Settlement Agreement and Release with Flying J, Inc. and certain of its affiliated entities.

-29-

---

**Table of Contents**

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Quarterly Report on Form 10-Q for the period ended June 30, 2001, to be signed on its behalf by the undersigned thereunto duly authorized.

CERIDIAN CORPORATION

Registrant

Date: August 13, 2001

/s/ L. D. Gross

---

L. D. Gross

Vice President and Corporate Controller  
(Principal Accounting Officer)

-30-