

Delaware Enhanced Global Dividend & Income Fund
Form N-14 8C
June 24, 2011

As filed with the Securities and Exchange Commission on June 24, 2011
1933 Act File No. [_____]

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-14

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Pre-Effective Amendment No. _____
Post-Effective Amendment No. _____

(Check appropriate box or boxes)

DELAWARE ENHANCED GLOBAL DIVIDEND AND INCOME FUND
(Exact Name of Registrant as Specified in Charter)

2005 Market Street, Philadelphia, PA 19103
(Address of Principal Executive Offices) (Zip Code)

(800) 523-1918
(Registrant's Telephone Number, including Area Code)

David F. Connor, Esq., 2005 Market Street, Philadelphia, PA 19103
(Name and Address of Agent for Service of Process)

Approximate Date of Proposed Public Offering: As soon as practical after this Registration Statement becomes effective under the Securities Act of 1933.

Calculation of Registration Fee under the Securities Act of 1933:

Title of Securities Being Registered	Amount Being Registered	Proposed Maximum Offering Price per Unit	Proposed Maximum Aggregate Offering Price (1)	Amount of Registration Fee
Common Shares (no par value)			\$37,081,353.12	\$ 4,305.15

(1) Estimated solely for the purpose of calculating the registration fee. Based on net asset value per share of \$7.52 for Delaware Investments Global Dividend and Income Fund, Inc. as of the close of business on June 22, 2011 with 4,931,031 shares outstanding, in accordance with Rule 457(f)(1) of the Securities Act of 1933.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration

Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said section 8(a), may determine.

PROXY MATERIALS

Delaware Investments Global Dividend and Income Fund, Inc. (NYSE: DGF)
Delaware Enhanced Global Dividend and Income Fund (NYSE: DEX)

Dear Shareholder:

I am writing to let you know that a joint special meeting of shareholders of the closed-end registered investment companies listed above (the “Funds”) will be held at the offices of Stradley Ronon Stevens & Young, LLP, 2005 Market Street, 26th Floor, Philadelphia, Pennsylvania 19103 on September 21, 2011 at 4:00 p.m. Eastern time. The purpose of the meeting is to vote on an important proposal that affects the Funds and your investment. As a shareholder, you have the opportunity to voice your opinion on certain matters that affect the Funds. This package contains information about the proposal and the materials to use when voting by mail, by telephone, or through the Internet.

Please read the enclosed materials and cast your vote. Please vote your shares promptly. Your vote is extremely important, no matter how large or small your holdings may be.

The proposal has been carefully reviewed by each Fund’s Board of Trustees/Directors (the “Board”). The Board, all but one of whose members are not affiliated with Delaware Investments, is responsible for protecting your interests as a shareholder. The Board believes the proposal is in the best interests of the shareholders of both Funds.

Each Fund’s Board recommends that you vote FOR the proposal.

The proposal is described in greater detail in the enclosed Proxy Statement/Prospectus.

Voting is quick and easy. Everything you need is enclosed. To cast your vote, simply complete the proxy card enclosed in this package. Be sure to sign the card before mailing it in the postage-paid envelope. You may also vote your shares by touch-tone telephone or through the Internet. Simply call the toll-free number or visit the website indicated on your proxy card and follow the recorded or online instructions.

If you have any questions before you vote, please call Computershare Fund Services, Inc., the Funds’ proxy solicitor, at 866-612-5812, and they will be glad to help you get your vote in quickly. You may also receive a telephone call from the solicitor reminding you to vote your shares. Thank you for your participation in this important initiative.

Sincerely,

Patrick P. Coyne

Chairman

July [__], 2011

NOTICE OF JOINT SPECIAL MEETING OF SHAREHOLDERS OF
Delaware Investments Global Dividend and Income Fund, Inc. (NYSE: DGF)
and
Delaware Enhanced Global Dividend and Income Fund (NYSE: DEX)
To be held on September 21, 2011

Important notice regarding the availability of proxy materials for the shareholder meeting to be held on September 21, 2011: this proxy statement is available at www.delawareinvestments.com/CEProxy.

To the Shareholders:

NOTICE IS HEREBY GIVEN that a joint special meeting (the “Meeting”) of shareholders of Delaware Investments Global Dividend and Income Fund, Inc. (the “Target Fund”) and Delaware Enhanced Global Dividend and Income Fund (the “Acquiring Fund”) has been called by the Board of Trustees of the Acquiring Fund and the Board of Directors of the Target Fund. The Meeting will be held at the offices of Stradley Ronon Stevens & Young, LLP, located at 2005 Market Street, 26th Floor, Philadelphia, PA 19103, on Wednesday, September 21, 2011 at 4:00 p.m. Eastern time. The purpose of the Meeting is for each Fund:

To approve an Agreement and Plan of Reorganization (the “Agreement”) providing for (i) the acquisition by the Acquiring Fund of substantially all of the assets, and certain of the liabilities, of the Target Fund, in exchange for newly issued common shares of the Acquiring Fund; (ii) the distribution of such newly issued common shares of the Acquiring Fund to holders of common shares of the Target Fund; and (iii) the dissolution of the Target Fund thereafter.

Shareholders of record of the Funds as of the close of business on July 13, 2011 are entitled to notice of, and to vote at, the Meeting or any adjournment thereof. Whether or not you plan to attend the Meeting, please vote your shares by returning the proxy card by mail in the enclosed postage-paid envelope, or by voting by telephone or over the Internet. Your vote is important.

By Order of the Board,

Patrick P. Coyne

Chairman

July [__], 2011

To secure the largest possible representation and to save the expense of further mailings, please mark your proxy card(s), sign, and return it (them) in the enclosed envelope, which requires no postage if mailed from the United States. If you prefer, you may instead vote by telephone or the Internet. You may revoke your proxy at any time before or at the Meeting or vote in person if you attend the Meeting, as provided in the attached Proxy Statement/Prospectus.

PROXY STATEMENT/PROSPECTUS

Dated [___], 2011

Acquisition of Substantially All of the Assets, and Certain of the Liabilities, of
Delaware Investments Global Dividend and Income Fund, Inc. (NYSE: DGF)
By, and In Exchange For Shares of,
Delaware Enhanced Global Dividend and Income Fund (NYSE: DEX)

This proxy statement/prospectus (“Proxy Statement/Prospectus”) solicits proxies to be voted at a joint special meeting of shareholders (the “Meeting”) of Delaware Investments Global Dividend and Income Fund, Inc. (the “Target Fund”) and Delaware Enhanced Global Dividend and Income Fund (the “Acquiring Fund” and, together with the Target Fund, the “Funds”).

The Meeting will be held at the offices of Stradley Ronon Stevens & Young, LLP, located at 2005 Market Street, 26th Floor, Philadelphia, PA 19103, on Wednesday, September 21, 2011 at 4:00 p.m. Eastern time. The purpose of the Meeting is for each Fund:

To approve an Agreement and Plan of Reorganization (the “Agreement”) providing for (i) the acquisition by the Acquiring Fund of substantially all of the assets, and certain of the liabilities, of the Target Fund, in exchange for newly issued common shares of the Acquiring Fund; (ii) the distribution of such newly issued common shares of the Acquiring Fund to holders of common shares of the Target Fund; and (iii) the dissolution of the Target Fund thereafter.

A form of the Agreement is set forth in Appendix A of this Proxy Statement/Prospectus. If the shareholders of the Funds vote to approve the Agreement, substantially all of the assets, and certain of the liabilities, of the Target Fund will be acquired by the Acquiring Fund in exchange for common shares of the Acquiring Fund (such transaction, the “Reorganization”).

The principal executive offices of the Funds are located at 2005 Market Street, Philadelphia, Pennsylvania 19103-7094. You can reach the offices of the Funds by telephone by calling 1-800-523-1918.

The Board of Trustees/Directors (the “Board”) of each Fund is soliciting these proxies. If the shareholders of the Funds vote to approve the Agreement, each holder of common stock of the Target Fund (“Target Fund Shares”) will receive Acquiring Fund common shares of beneficial interest (“Acquiring Fund Shares”) of equivalent aggregate net asset value (“NAV”) to the aggregate NAV of the Target Fund Shares they own. No sales charge will be imposed on the Acquiring Fund Shares received in connection with the Reorganization, and the Reorganization is designed to be a tax-free reorganization. After the Reorganization is completed, the Target Fund will be liquidated and dissolved.

Each Fund is a diversified, closed-end, management investment company registered under the Investment Company Act of 1940, as amended (the “1940 Act”). The Acquiring Fund’s primary investment objective is to seek current income, with a secondary objective of capital appreciation. The Target Fund’s primary investment objective is to seek high current

income, with a secondary objective of capital appreciation. The Target Fund Shares and the Acquiring Fund Shares (together, "Shares") are listed on the New York Stock Exchange (the "Exchange") under the ticker symbols set forth above. Delaware Management Company (the "Manager"), a series of Delaware Management Business Trust, serves as investment manager to each Fund. The Board of each Fund believes that the Reorganization will benefit the shareholders of the Funds, as discussed further in this Proxy Statement/Prospectus.

This Proxy Statement/Prospectus will first be sent to shareholders on or about July 20, 2011. It sets forth concisely the information about the Acquiring Fund that a prospective investor ought to know before investing. It should be retained for future reference. A statement of additional information dated July [___], 2011 (the "SAI") relating to this Proxy Statement/Prospectus is incorporated by reference into and is deemed part of this Proxy Statement/Prospectus. Each Fund's most recent shareholder report includes financial highlights for the Fund, which are hereby incorporated by reference into this Proxy Statement/Prospectus. The SAI and other information about the Funds has been filed with the Securities and Exchange Commission (the "SEC") and is available upon request and without charge by contacting the Funds at the address or phone number of its principal executive offices given above. Reports, proxy materials and other information concerning the Funds can also be inspected at the Exchange.

THE SEC HAS NOT APPROVED OR DISAPPROVED THESE SECURITIES OR PASSED UPON THE ADEQUACY OF THIS PROXY STATEMENT/PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE ACQUIRING FUND SHARES ARE NOT DEPOSITS OR OBLIGATIONS OF, OR GUARANTEED OR ENDORSED BY, ANY BANK, AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION, THE FEDERAL RESERVE BOARD, OR ANY OTHER U.S. GOVERNMENT AGENCY. THE ACQUIRING FUND SHARES INVOLVE INVESTMENT RISKS INCLUDING THE POSSIBLE LOSS OF PRINCIPAL.

Investments in the Funds are not and will not be deposits with or liabilities of Macquarie Bank Limited ABN 46 008 583 542 and its holding companies, including their subsidiaries or related companies (Macquarie Group), and are subject to investment risk, including possible delays in repayment and loss of income and capital invested. No Macquarie Group company guarantees or will guarantee the performance of the Funds, the repayment of capital from the Funds, or any particular rate of return.

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SUMMARY

This is only a summary of certain information contained in this Proxy Statement/Prospectus. You should read the more complete information in the rest of this Proxy Statement/Prospectus, including the Form of Agreement (attached as Exhibit A).

Key Features of the Funds

The Acquiring Fund is organized as a Delaware business trust. The Target Fund is organized as a Maryland corporation. Each Fund is registered as a closed-end investment company under the 1940 Act, and each Fund’s Shares trade on the Exchange. As of May 31, 2011, the total net assets of the Funds were as follows:

Fund	Total Net Assets
Target Fund	\$38.85 million
Acquiring Fund	\$176.76 million

Key Features of the Reorganization

The Board of each Fund has concluded that the Reorganization is in the best interests of such Fund’s shareholders and has determined that the interests of that Fund’s shareholders will not be diluted as a result of the Reorganization. The Board of each Fund has approved submitting the Agreement to a vote of each Fund’s shareholders at the Meeting, and recommends that shareholders vote FOR approval of the Agreement.

The Reorganization

If the Agreement is approved, on the date that the Reorganization takes place (the “Closing Date”), the Acquiring Fund will acquire substantially all of the assets, and certain of the liabilities, of the Target Fund, and shareholders of the Target Fund will then receive Acquiring Fund Shares in exchange for their Target Fund Shares (this event, the “Closing”). Each Fund currently uses a line of credit for leverage purposes. Following the Reorganization, the Acquired Fund will continue to use the line of credit and, it is anticipated that the Funds’ lines of credit will be combined. The Target Fund will retain sufficient assets to pay off any remaining liabilities. After provision has been made for any remaining liabilities to be paid off, the Target Fund will be dissolved. For more information about the Reorganization, see the section below entitled “Information About the Reorganization.”

Acquiring Fund Shares

The Agreement provides that, on the Closing Date, holders of Target Fund Shares will receive Acquiring Fund Shares having an aggregate NAV equal to the aggregate NAV of the Target Fund Shares they hold on the Closing Date. As a result, the aggregate net asset value (but not necessarily market value) of a shareholder’s investment in Acquiring Fund Shares will be the same immediately after the Closing as the aggregate net asset value of such shareholder’s investment in Target Fund Shares immediately before the Reorganization. Similarly, the

Reorganization will have no effect on the aggregate net asset value (but not necessarily market value) of an Acquiring Fund shareholder's investment. This structure is designed to avoid any dilution in the investments of holders of either Fund's Shares. No certificates representing shares of beneficial interest of Acquiring Fund will be issued to shareholders of Target Fund shares, irrespective of whether such shareholders hold their Target Fund Shares in certificated form, and each outstanding certificate of the Target Fund will be cancelled and will no longer evidence ownership thereof. Shareholders of the Target Fund will receive instructions on how to return their Target Fund share certificates. For more information about the Acquiring Fund Shares, see the section below entitled "Information About the Reorganization — Material Features of the Reorganization — Description of the Acquiring Fund Shares to be Issued."

Key Features of the Acquiring Fund and the Target Fund

Investment Objectives and Strategies

Investment Objectives. The Funds have substantially similar investment objectives. The Acquiring Fund's primary investment objective is to seek current income, with a secondary objective of capital appreciation. The Target Fund's primary investment objective is to seek high current income, with a secondary objective of capital appreciation. Each Fund's investment objective is non-fundamental, meaning that it may be changed by the Fund's Board without shareholder approval, although shareholders will receive advance notification of any change in a Fund's investment objective. There is no guarantee that a Fund will achieve its investment objective.

Investment Strategies. The investment strategies of the Funds are similar. Each Fund may invest in both equity and debt securities, however there are differences between the Funds with respect to the minimum investment in debt versus equity securities. The Target Fund invests at least 50% of its total assets in equities and the remainder of its total assets in non-convertible debt securities, while the Acquiring Fund is not constrained as to its mix between debt and equity securities. Each Fund may invest up to 40% in the securities of non-U.S. issuers.

Each Fund seeks to pursue its investment objective by investing globally in dividend paying and income generating securities. With respect to the equity component of the Acquiring Fund and Target Fund's portfolio, both Funds are permitted to invest in common stock of U.S. and foreign countries. In addition, the Acquiring Fund invests primarily in securities of large-capitalization companies but is permitted to invest in companies of any size. Each Fund may also invest in securities issued by real estate companies (including real estate investment trusts ("REITs")).

Each Fund is permitted to invest in preferred stock and convertible securities, which may be rated below investment grade (i.e., "Ba" or lower for convertible securities or "ba" or lower for preferred stock by Moody's Investors Service ("Moody's") or "BB" or lower for both convertible securities and preferred stock by Standard and Poor's ("S&P") or similarly rated by other rating agencies) or, if unrated, determined to be of comparable quality by the Manager.

Under normal market conditions, each Fund invests at least 40% of its net assets in securities of non-U.S. issuers, unless market conditions are not deemed favorable by the Manager, in which case the Fund would invest at least 30% of its net assets in the securities of

non-U.S. issuers. Additionally, the Target Fund invests at least 65% of the value of its assets in issuers organized or having a majority of their assets in or deriving a majority of their operating income in at least three different countries, one of which is the United States, however, the Target Fund may not invest more than 50% of its total assets in the securities of any developed or emerging markets foreign country.

Each Fund may purchase securities in any developed or emerging foreign country and such foreign investments may be denominated in currencies other than the U.S. dollar. Each Fund may invest directly in securities of foreign issuers or in depository receipts (such as American and European Depository Receipts (the Acquiring Fund may also invest in Global Depository Receipts) that represent indirect interests in securities of foreign issuers. Each Fund may also invest directly in foreign currencies. The Manager may for each Fund employ forward foreign currency contracts, futures contracts and options on futures contracts to hedge currency risks associated with the income stream generated by foreign investments.

The debt component of each Fund's portfolio consists of corporate and government debt securities, including high yield, high risk U.S. or foreign (including emerging markets) debt securities that are rated below investment grade ("Ba1" or lower by Moody's or "BB+" or lower by S&P). The Target Fund is permitted to invest the entire debt component of its portfolio in securities that are rated below investment grade or that are unrated but of comparable quality as determined by the Manager. Additionally, the corporate and government bonds in which the Target Fund may invest may have the lowest ratings for interest paying debt instruments by Moody's or S&P (i.e., rated "C" by Moody's or "CC" by S&P).

Each Fund may lend its portfolio securities to banks or dealers which meet the creditworthiness standards established by the Board of such Fund. Additionally, each Fund currently borrows through a line of credit which it has established with The Bank of New York Mellon ("BNY Mellon") for purposes of leveraging. Leveraging may result in greater volatility because a Fund's NAV may be subject to fluctuations in short-term interest rates and changes in the market value of portfolio securities attributable to the leverage.

Additionally, in managing the Acquiring Fund, the Manager uses a combination of dividend capture trading, option overwriting, realization of gains on the sale of securities, dividend growth and currency forwards to try to enhance the sustainability of the Acquiring Fund's income stream.

Generally, securities are purchased or sold by the Acquiring Fund on national securities exchanges and in the over-the-counter market. From time to time, securities may be purchased or sold in private transactions, including securities that are not publicly traded or that are otherwise illiquid.

The Manager may invest the Acquiring Fund's cash balances in any investments it deems appropriate, including, without limitation and as permitted under the 1940 Act, money market funds, including the Delaware Cash Reserve Fund, repurchase agreements, U.S. Treasury and U.S. agency securities, municipal bonds, and bank accounts. Any income earned from such investments is ordinarily reinvested by the Acquiring Fund in accordance with its investment

program. Many of the considerations entering into the Manager's recommendations and the portfolio managers' decisions are subjective.

For more information about the investment objectives and strategies of the Funds, see the section below entitled "Information About the Funds — General Description" and the SAI.

Trading of Shares on the Exchange

Each Fund's Shares trade on the Exchange. Generally, an investor purchasing Fund Shares enters into a purchase transaction on the Exchange through a broker-dealer and thus indirectly purchases the Shares from a selling Fund shareholder. A shareholder who sells Shares generally sells them on the Exchange through a broker-dealer, indirectly to another investor. Unlike a mutual fund (also called an "open-end" fund), holders of Shares of a Fund generally do not purchase and sell Shares from and to the Fund, either directly or through an intermediary such as a broker-dealer.

Primary Consequences of the Reorganization

If the Reorganization is completed, the Acquiring Fund will acquire substantially all of the assets of the Target Fund, as well as certain liabilities related to the Target Fund's line of credit with BNY Mellon, and the Target Fund's shareholders will become shareholders of the Acquiring Fund. The Acquiring Fund will continue to operate as a closed-end fund managed by the Manager and investing its assets pursuant to the Acquiring Fund's existing investment objectives and strategies. Acquiring Fund Shares will continue to trade on the Exchange.

If the Reorganization is completed, the Target Fund will not hold an annual meeting in 2012. If the Reorganization does not take place, the Target Fund's Board will announce the date of the 2012 annual meeting for the Target Fund. The Acquiring Fund will hold an annual meeting in 2012 regardless of whether the Reorganization is consummated.

If the Agreement is not approved by a Fund's shareholders, the Board may consider alternative actions.

For more information about the Reorganization, see the section below entitled "Information About the Reorganization."

Primary Tax Consequences

It is expected that neither the Funds nor their shareholders will recognize any gain or loss for federal income tax purposes as a result of the Reorganization. Shareholders should consult their own tax advisor regarding the effect, if any, of the Reorganization in light of their individual circumstances. Shareholders should also consult their tax advisor about state and local tax consequences, if any, because the information about tax consequences in this Proxy Statement/Prospectus relates only to the federal income tax consequences. The discussions of tax consequences in this Proxy Statement/Prospectus are not intended or written to be used as, and should not be considered a substitute for, tax advice. For more information about the Federal tax consequences of the Reorganization, see the section below entitled "Information About the Reorganization — Federal Income Tax Consequences."

PRINCIPAL RISK FACTORS

The risks associated with an investment in the Funds are similar. As with most investments, investments in a Fund involve risks, including the risk that shareholders may receive little or no return on their investment, and the risk that shareholders may lose part or all of the money they invest. There can be no guarantee against losses resulting from an investment in a Fund, nor can there be any assurance that a Fund will achieve its investment objectives. Whether a Fund achieves its investment objectives depends on market conditions generally and on the Manager's analytical and portfolio management skills. Before investing in a Fund, potential shareholders should carefully evaluate the risks. Because of the nature of the Funds, shareholders should consider an investment in a Fund to be a long-term investment that typically provides the best results when held for a number of years. Following are the principal risks that shareholders assume when investing in the Funds. These risks are generally the same, except that the Acquiring Fund utilizes a specific dividend capture strategy that carries specific risks that are somewhat different from the risks of seeking dividend income generally. Information on the risks associated with the dividend capture strategy may be found in the SAI.

Market Risk. Market risk is the risk that all or a majority of the securities in a certain market — like the stock or bond market — will decline in value because of factors such as adverse political or economic conditions, future expectations, investor confidence, or heavy institutional selling.

Security Risk. Security risk is the risk that the value of an individual stock or bond will decline because of changing expectations for the performance of the individual company issuing the stock or bond (due to situations that could range from decreased sales to events such as a pending merger or actual or threatened bankruptcy).

Market price of shares. Shares of closed-end investment companies, such as the Funds, frequently trade at a discount from their NAV, although it is possible that they may trade at a premium above NAV. This risk is distinct from the risk that a Fund's NAV may decrease. Whether shareholders realize gains or losses upon the sale of Shares will depend entirely upon whether the market price of the Shares at the time of sale is above or below the original purchase price for such Shares. Because the market price for a Fund's shares is determined by various factors beyond the control of a Fund, a Fund cannot control whether its Shares trade at a price equal to, above, or below their NAV. Shares are designed for long-term investors and should not be treated as trading vehicles.

Equity Risk. This includes the risk that stocks and other equity securities generally fluctuate in value more than bonds.

Small and Medium Cap Company Risk. Small- and medium-sized companies are more vulnerable than larger companies to adverse business or economic developments, including limited financial resources or dependence on narrow product lines. Consequently, the stock prices of smaller companies tend to fluctuate in value more drastically than the stocks of larger companies.

Foreign Securities Risk. This includes the risk that foreign securities (particularly in emerging markets) may be adversely affected by political instability, inefficient markets and higher transaction costs, changes in currency exchange rates, foreign economic conditions, or inadequate or different regulatory and accounting standards. Dividends paid on foreign securities may not qualify for the reduced federal income tax rates applicable to individuals for qualified dividends under the Code. As a result, there can be no assurance as to what portion of the Fund's distributions attributable to foreign securities will be reported as qualified dividend income.

Foreign Government/Supranational Risk. This risk involves the ability of a foreign government or government-related issuer to make timely principal and interest payments on its external debt obligations. This ability to make payments will be strongly influenced by the issuer's balance of payments, including export performance, its access to international credits and investments, fluctuations in interest rates, and the extent of its foreign reserves.

Emerging Markets Risk. The risks associated with international investing will be greater in emerging markets than in more developed foreign markets because, among other things, emerging markets may have less stable political and economic environments. In addition, in many emerging markets there is substantially less publicly available information about issuers and the information that is available tends to be of a lesser quality. Economic markets and structures tend to be less mature and diverse, and securities markets which are subject to less government regulation or supervision may also be smaller, less liquid and subject to greater price volatility. Dividends paid by issuers in emerging market countries will generally not qualify for the reduced federal income tax rates applicable to individuals for qualified dividends.

Information Risk. Information risk is the risk that foreign companies may be subject to different accounting, auditing, and financial reporting standards than U.S. companies. There may be less information available about foreign issuers than domestic issuers. Furthermore, regulatory oversight of foreign issuers may be less stringent or less consistently applied than in the U.S.

Inefficient Market Risk. Inefficient market risk is the risk that foreign markets may be less liquid, have greater price volatility, less regulation, and higher transaction costs than U.S. markets.

Transaction Cost Risk. Transaction costs risk is the risk that the costs of buying, selling, and holding foreign securities, including brokerage, tax, and custody costs, may be higher than those involved in domestic transactions.

Currency Risk. Currency risk is the risk that the value of an investment may be negatively affected by changes in foreign currency exchange rates. Adverse changes in exchange rates may reduce or eliminate any gains produced by investments that are denominated in foreign currencies and may increase any losses.

Leverage Risk. The use of leverage by a Fund would create three major types of risks for shareholders. First, the likelihood of greater volatility of net asset value and market price of common shares because changes in value of the Fund's portfolio (including changes in the value of any interest rate swap, if applicable) are borne entirely by the common shareholders. Second,

the possibility either that share income will fall if the interest rate on any borrowings or the dividend rate on any preferred shares issued rises, or that share income and distributions will fluctuate because the interest rate on any borrowings or the dividend rate on any preferred shares issued varies. Third, the Fund may not be permitted to declare dividends or other distributions with respect to its common shares or purchase its capital stock, unless at the time thereof the Fund meets applicable asset coverage requirements.

In the event a Fund uses leverage, the fees paid to the Manager for investment advisory services and the Administrator for administrative services will be higher than if the Fund did not use leverage because such fees are generally calculated on the basis of a Fund's net assets, including proceeds from issuance of preferred shares, commercial paper or borrowings, which may create an incentive to leverage the Fund.

Real Estate Industry Risk. Real estate industry risk includes, among others: possible declines in the value of real estate; risks related to general and local economic conditions; possible lack of availability of mortgage funds; overbuilding; extended vacancies of properties; increases in competition; changes in property taxes, and operating expenses; changes in zoning laws; costs of clean-up of, and liability to third parties resulting from environmental problems; casualty for condemnation losses; uninsured damages from floods, earthquakes, or other natural disasters; limitations on and variations in rents; and changes in interest rates. Dividends paid by REITs will not generally qualify for the reduced federal income tax rates applicable to individuals for qualified dividends, and may result in "excess inclusion income" subject to special tax rules. REITs are also subject to substantial cash flow dependency, defaults by borrowers, self-liquidation, and the risk of failing to qualify for tax-free pass-through of income under the Internal Revenue Code of 1986, as amended (the "Code"), or other similar statutes in non-U.S. countries and/or failing to qualify for an exemption from registration as an investment company under the 1940 Act.

Convertible and Preferred Securities Risk. Convertible and preferred securities have many of the same characteristics as stocks, including many of the same risks. In addition, convertible bonds may be more sensitive to changes in interest rates than stocks. Convertible bonds may also have credit ratings below investment grade (i.e., they may be "junk bonds"), meaning that they carry a higher risk of failure by the issuer to pay principal and/or interest when due. Dividends paid on preferred securities may not qualify for the reduced federal income tax rates applicable to individuals for qualified dividends under the Code.

High Risk, High Yield Corporate Bond Risk. High yield securities or high yield corporate bonds (commonly known as "junk bonds"), while having higher yields, are subject to reduced creditworthiness of issuers; increased risk of default and a more limited and less liquid secondary market than higher rated securities. These securities are also subject to greater price volatility and risk of loss of income and principal than are higher rated securities. Lower rated and unrated fixed income securities tend to reflect short-term corporate and market development movements to a greater extent than higher rated fixed income securities, which react primarily to fluctuations in the general level of interest rates. Fixed income securities of this type are considered to be of poor quality and primarily speculative. Such securities are subject to a substantial degree of credit risk. Investing in junk bonds entails the risk of principal loss, which may be greater than the risks involved in investment grade bonds. High yield bonds are sometimes issued by

companies whose earnings at the time the bond is issued are less than the projected debt payments on the bonds. A protracted economic downturn may severely disrupt the market for high yield bonds, adversely affect the value of outstanding bonds, and adversely affect the ability of high yield issuers to repay principal and interest.

Credit Risk. The possibility that a bond's issuer (and/or an entity that insures the bond) will be unable to make timely payments of interest and principal. Changes in an issuer's financial strength or in a security's credit rating may affect a security's value, which would impact a Fund's performance.

Interest Rate Risk. Securities may decrease in value if interest rates rise. This risk is generally associated with bonds; however, because small and medium-sized companies often borrow money to finance their operations, they may be adversely affected by rising interest rates.

Liquidity Risk. The possibility that securities cannot be readily sold within seven days at approximately the price at which a Fund has valued them. Illiquid securities may trade at a discount from comparable, more liquid investments, and may be subject to wide fluctuations in market value. A Fund may also not be able to dispose of illiquid securities at a favorable time or price during periods of infrequent trading of an illiquid security.

The high yield secondary market is particularly susceptible to liquidity problems when institutional investors, such as the Funds and certain other financial institutions, temporarily stop buying bonds for regulatory, financial, or other reasons.

Inflation Risk. The return from investments may be less than the increase in the cost of living due to inflation.

Special Risks Associated with Foreign Currency Futures Contracts and Related Options. Buyers and sellers of foreign currency futures contracts are subject to the same risks that apply to the use of futures generally as well as certain other risks, which are described in the SAI.

Counterparty Risk. If a Fund enters into a derivative contract (such as a futures or options contract) or a repurchase agreement, it will be subject to the risk that the counterparty to such a contract or agreement may fail to perform its obligations under the contract or agreement due to financial difficulties (such as a bankruptcy or reorganization). As a result, a Fund may experience significant delays in obtaining any recovery, may only obtain a limited recovery, or may obtain no recovery at all.

Portfolio Turnover Risk. High portfolio turnover rates may increase a Fund's transaction costs and lower returns. Higher portfolio turnover rates could result in corresponding increases in brokerage commissions, may generate short-term capital gains taxable as ordinary income and cause dividends received on portfolio securities to not be qualified dividends eligible to individuals for reduced federal income tax rates under the Code.

Securities Lending Risk. Securities lending is subject to the risk that loaned securities may not be available to a Fund on a timely basis and a Fund may, therefore, lose the opportunity to sell the securities at a desirable price. Any loss in the market price of securities loaned by a Fund that occurs during the term of the loan would be borne by the Fund and would adversely

affect the Fund's performance. Also, there may be delays in recovery, or no recovery, of securities loaned or even a loss of rights in the collateral should the borrower of the securities fail financially while the loan is outstanding. A Fund's entry into securities lending transactions may cause the replacement income earned on the loaned securities to fall outside of the definition of qualified dividend income. This replacement income generally will not be eligible to individuals for reduced federal income tax rates.

Market Disruption and Geopolitical Risk. Unstable situations in various areas around the world, including the possibility of terrorist attacks, natural disasters, or war, could result in market volatility and have long-term effects on the United States and worldwide financial markets and may cause further economic uncertainties in the United States and worldwide. A Fund does not know how long the securities markets would be affected by such events and cannot predict the effects of such events.

Government and Regulatory Risk. Governments or regulatory authorities have, from time to time, taken or considered actions that could adversely affect various sectors of the securities markets. Government involvement in the private sector may, in some cases, include government investment in, or ownership of, companies in certain commercial business sectors; wage and price controls; or imposition of trade barriers and other protectionist measures. For example, an economic or political crisis may lead to price controls, forced mergers of companies, expropriation, the creation of government monopolies, or other measures that could be detrimental to the investments of a fund.

Tax Risks. A Fund's investment policies and trading strategies may result in a larger portion of its income being taxable at ordinary income tax rates than might otherwise be the case. In addition, a Fund may invest in complex securities that could be subject to numerous special and complex tax rules. These rules could accelerate the recognition of income by a Fund (possibly causing the Fund to sell securities to raise the cash for necessary distributions) and/or defer a Fund's ability to recognize a loss, and, in limited cases, subject a Fund to U.S. federal income tax on income. These rules could also affect whether gain or loss recognized by a Fund is treated as ordinary or capital, or as interest or dividend income. These rules could, therefore, affect the amount, timing or character of the income distributed by a Fund.

More information on these and other risks of an investment in the Funds is included in the SAI.

CURRENT AND PRO FORMA FEES

The purpose of the tables below is to assist shareholders in understanding and comparing the various costs and expenses that they will bear directly or indirectly as a holder of Acquiring Fund Shares, both before and after the Reorganization.

Fees and Expenses for Acquiring Fund Shares

and Target Fund Shares

	Actual*		Pro Forma**
	Target Fund	Acquiring Fund	Acquiring Fund After the Reorganization
Annual Expenses (as a percentage of average net assets attributable to Shares)			
Management Fees	0.92%	1.25%	1.20%****
Interest Payments on Borrowed Funds***	0.45%	0.41%	0.43%
Transfer Agent Fees	0.13%	0.03%	0.03%
Other Expenses	0.54%	0.26%	0.23%
Total Annual Fund Operating Expenses	2.04%	1.95%	1.89%

* Information for the Funds is provided for their fiscal year ended November 30, 2010.

**Pro forma expenses after the Reorganization are based on current Acquiring Fund expenses, excluding the estimated costs of the Reorganization to be borne by the Funds. For more information on the estimated expenses of the Reorganization, please see “Information About the Reorganization – Terms of the Agreement.” The pro forma combined expenses are based on the average net assets of the Funds for the twelve-month period ended November 30, 2010.

***Each Fund maintains a line of credit with BNY Mellon. For more information regarding the line of credit see “Information About the Reorganization – Terms of the Agreement.”

****Upon the Closing of the Reorganization, the Manager has agreed to permanently lower the management fee of the Acquiring Fund from 1.00% to 0.95%. The management fee is calculated based on adjusted daily net assets of the Fund. Adjusted net assets excludes the line of credit liability.

Example

This example compares the cost of investing in Acquiring Fund Shares with the cost of investing in Target Fund Shares, both before and after the Reorganization. It assumes:

- An investment at NAV of \$1,000 for the periods shown;
 - A 5% investment return each year;
- The Funds’ operating expenses remain the same each year; and
 - All dividends and distributions are reinvested at NAV.

The Example should not be considered a representation of future expenses or performance, and a Fund’s actual returns may be greater or less than the hypothetical 5% return used. Although actual costs may be higher or lower than those shown, based on these assumptions the costs would be:

	1 Year	3 Years	5 Years	10 Years
Target Fund	\$21	\$64	\$110	\$237
Acquiring Fund	\$20	\$61	\$105	\$227
	\$19	\$59	\$102	\$221

Acquiring Fund (after the
Reorganization)

INFORMATION ABOUT THE REORGANIZATION

The following summary of the Agreement is qualified in its entirety by the Form of Agreement and Plan of Reorganization that is included as Exhibit A. Any capitalized terms not defined herein have the meaning assigned to them in the Agreement.

Material Features of the Reorganization

The Reorganization will consist of the acquisition by the Acquiring Fund of substantially all of the property, assets, goodwill, and certain of the liabilities of the Target Fund in exchange solely for Acquiring Fund Shares; the pro rata distribution of Acquiring Fund Shares to the holders of Target Fund Shares in complete liquidation of the Target Fund; and the dissolution of the Target Fund.

Terms of the Agreement

The Closing Date is currently expected to occur in the fourth quarter of 2011, or such other date as the Boards of the Funds may mutually agree. Under the Agreement, the Target Fund will convey to the Acquiring Fund at the Closing all of the Target Fund's then existing assets and certain liabilities (including the line of credit), free and clear of any liens, except for cash, bank deposits or cash equivalent securities in an amount necessary to pay the Target Fund's estimated costs and expenses of carrying out the Agreement, discharge the Target Fund's unpaid liabilities on its books as of the Closing Date (other than those liabilities, including the Target Fund's line of credit with BNY Mellon, being acquired by the Acquiring Fund), and provide for any reasonably expected contingent liabilities. In exchange, the Acquiring Fund will deliver to the Target Fund at the Closing the number of Acquiring Fund Shares having an aggregate NAV equal to the aggregate NAV of the Target Fund Shares as of the Closing Date, and will assume the Target Fund's stated liabilities. The value of each Fund's portfolio securities and NAV shall be determined as of the Close of Business on the Closing Date in a manner consistent with the valuation procedures described in each Fund's filings with the SEC.

Following the Reorganization, the Acquiring Fund intends to continue to use its line of credit with BNY Mellon and it is anticipated that the Funds' lines of credit will be combined.

Immediately following the Closing, the Target Fund shall distribute pro rata to holders of Target Fund Shares of record as of the close of business on the Closing Date the Acquiring Fund Shares received by the Target Fund, as well as the Target Fund's other assets, if any, as provided by the Agreement. The Target Fund will declare a dividend and/or other distribution that, together with all previous such dividends, shall have the effect of distributing to its shareholders (i) all of Target Fund's investment company taxable income for the taxable year ended prior to the Closing Date and substantially all of such investment company taxable income for the final taxable year ending with its complete liquidation (in each case determined without regard to any deductions for dividends paid); (ii) all of Target Fund's net capital gain recognized in its taxable year ended prior to the Closing Date and substantially all of any such net capital gain recognized in such final taxable year (in each case after reduction for any capital loss carryover); and (iii) at

least 90 percent of the excess, if any, of the Target Fund's interest income excludible from gross income under Section 103(a) of the Code over its deductions disallowed under Sections 265 and 171(a)(2) of the Code for the taxable year prior to the Closing Date and at least 90 percent of such net tax-exempt income for such final taxable year. The Target Fund shall be dissolved promptly following the Closing, the distribution of the respective Acquiring Fund Shares, payment of any dividends or distributions, and resolution of any other contingent liabilities.

The execution of the Agreement and the consummation of the Reorganization is conditioned on each Fund providing the other with certain representations, warranties and covenants, and on certain other closing conditions customary in transactions such as the Reorganization.

It is estimated that the total expenses of entering into and carrying out the Agreement and the Reorganization will be approximately \$266,998, of which \$93,449, or 35%, will be borne by the Target Fund, \$106,799, or 40%, will be borne by the Acquiring Fund and \$66,749, or 25%, will be borne by the Manager.

The Agreement may be amended by mutual consent of the Funds in writing. The Agreement may be terminated and the Reorganization abandoned at any time prior to the Closing, before or after shareholder approval, or the Closing may be postponed by mutual consent of the Target Fund and the Acquiring Fund or if either Fund's Board elects to terminate the Agreement and to abandon the Reorganization. If the Reorganization has not been consummated by May 31, 2012, the Agreement shall automatically terminate unless a later date is agreed to by each Fund's Board.

Description of Acquiring Fund Shares to be Issued

General. The Acquiring Fund is authorized by its Declaration of Trust to issue an unlimited number of Acquiring Fund Shares, with no par value. As of May 1, 2011, the Acquiring Fund had issued and outstanding 13,052,745 shares, all listed on the Exchange. Under the terms of the Agreement, the Acquiring Fund will issue new Acquiring Fund Shares to be distributed to the holders of Target Fund Shares. The number of additional Acquiring Fund Shares issued will be based on the relative NAVs and shares outstanding of the Acquiring Fund and the Target Fund as of the Closing Date. All Acquiring Fund Shares issued pursuant to the Agreement will be fully paid and non-assessable, and will be listed for trading on the Exchange.

The terms of the Acquiring Fund Shares to be issued in the Reorganization will be identical to the terms of the Acquiring Fund Shares already outstanding. All of the Acquiring Fund Shares have equal rights with respect to the payment of dividends and the distribution of assets upon liquidation. The Acquiring Fund Shares have no preemptive, conversion or exchange rights, nor any right to cumulative voting.

Distributions. Each Fund makes monthly distributions of net income to holders of its Shares. Net income consists of all interest income accrued on portfolio assets less all expenses of the Fund. Net realized capital gains, if any, are distributed to holders of a Fund's Shares at least annually. Expenses of each Fund are accrued each day.

Each Fund has implemented a managed distribution policy. Under its policy, each Fund is managed with a goal of generating as much of the distribution as possible from net investment income and short-term capital gains. The balance of the distribution will then come from long-term capital gains to the extent permitted, and if necessary, a return of capital. It is likely that, from time to time, the Fund will distribute more than its income and net realized capital gains; therefore, a portion of a shareholder's distribution would be a return of capital. A return of capital may occur, for example, when some or all of the money that you invested in the Fund is paid back to you. A return of capital does not necessarily reflect the Fund's investment performance and should not be confused with "yield" or "income." Even though a Fund may realize current year capital gains, such gains may be offset, in whole or in part, by the Fund's capital loss carryovers from prior years. For federal income tax purposes, the effect of such capital loss carryovers may be to convert (to the extent of such current year gains) what would otherwise be returns of capital into distributions taxable as ordinary income. This tax effect can occur during times of extended market volatility. Under the Regulated Investment Company Modernization Act of 2010 ("RIC Mod Act"), this tax effect attributable to a Fund's capital loss carryovers (the conversion of returns of capital into distributions taxable as ordinary income) will no longer apply to net capital losses of a Fund arising in Fund tax years beginning after November 30, 2011. The actual determination of the source of a Fund's distributions can be made only at year-end. Shareholders should receive written notification regarding the actual components and tax treatments of all Fund distributions for a calendar year at the beginning of the next calendar year.

Dividend Reinvestment Plan. Each Fund offers a dividend reinvestment plan, which is fully described in the Fund's shareholder reports.

Board Considerations in Approving the Reorganization

At a meeting on May 17-18, 2011, the Boards of the Funds met to consider whether the Agreement and the Reorganization would be in the interests of the Funds and their shareholders. In approving the Agreement and recommending that shareholders of each Fund approve the Agreement, the Boards considered the following potential benefits of the Reorganization, among other factors:

- § Reduction in management fee. The Target Fund currently has a management fee of 0.70% while the Acquiring Fund has a management fee of 1.00%. The Manager has agreed that upon completion of the Reorganization it will permanently lower the management fee of the Acquiring Fund from 1.00% to 0.95%. Though the contractual management fee paid by Target Fund shareholders will increase as a result of the Reorganization, the overall expense ratio of the Acquiring Fund is expected to be lower than that of the Target Fund.
- § Consistency of investment management. The Funds are managed by similar investment teams with similar investment strategies and philosophies, so shareholders would receive the benefit of the continuity of the investment management team and a more straightforward transition of assets. The Acquiring Fund will retain its current investment objectives and strategies after the Reorganization, which are similar to those of the Target Fund.
- § Improved economies of scale and potential for lower expense ratio. The combination of the Funds may potentially lead to economies of scale. The Target Fund is a small fund

with total assets of \$37.9 million as of February 28, 2011, while the Acquiring Fund is significantly larger with total net assets of \$173 million as of February 28, 2011. The Board considered that shareholders of both Funds may benefit from the larger assets of a combined Fund. Furthermore, the Board noted that while the Funds have similar total expense ratios, the reduction in the Acquiring Fund's contractual management fee and the combined assets are expected to result in a lower overall expense ratio. The Manager's projection indicated that following the Reorganization the Acquiring Fund's total expense ratio would be less than the current total expense ratio for either Fund.

- § Performance. The Acquiring Fund had a better performance track record over the two- and three-year periods ending March 31, 2011, and stronger relative performance rankings compared to its peers than the Target Fund over all time periods, so investors may benefit from a combined Fund with improved investment performance.
- § Higher distribution amounts. The Acquiring Fund's current monthly distribution amount (\$0.1025) is approximately double the monthly distribution amount of the Target Fund (\$0.0575). The Board considered that, without accounting for the impact of the difference between the Funds' relative net asset value per share, if the monthly distribution amounts remained at the current levels, it is anticipated that the Target Fund's shareholders would receive the benefit of the Acquiring Fund's higher monthly pre-tax distribution rate after the Reorganization.
- § Possibility of greater liquidity. Shareholders may benefit from a combined Fund that may have better liquidity in the market place with a greater number of shares outstanding and a larger market capitalization after the Reorganization.
- § Potential effect on discount or premium to NAV. The Reorganization may not have any effect on the combined Fund's discount or premium to NAV. The Board noted that the Acquiring Fund was trading at a slight premium to its NAV, while the Target Fund was trading at a slight discount to its NAV as of March 30, 2011. If the Acquiring Fund continues to trade at a premium at the time of the Reorganization, it could allow for Target Fund shareholders to assume the Acquiring Fund's premium. However, there is no guarantee that the Acquiring Fund's premium will be maintained until the Reorganization is completed or that it will persist afterwards.
- § Similarities in leverage structure. Each Fund currently uses a line of credit for leverage purposes. The Board considered that following the Reorganization, the combined Fund is expected to continue to use a line of credit with BNY Mellon for leverage.

The Boards also considered that if shareholders of either Fund do not approve the Agreement, or if the Reorganization is for any other reason not consummated, the Funds would still bear their portion of the costs of soliciting proxies and other costs involved with proposing the Reorganization.

After weighing these considerations, among others, the Board of each Fund determined that each of the Funds and their shareholders would benefit from the Reorganization. The Boards have also determined that the interests of the Funds' shareholders will not be diluted as a result of the Reorganization. The Boards therefore recommend that shareholders of both Funds vote FOR approval of the Agreement.

Federal Income Tax Consequences

The following is a general summary of the material U.S. federal income tax considerations of the Reorganization and is based upon the current provisions of the Code, the existing U.S. Treasury Regulations thereunder, current administrative rulings of the IRS, and published judicial decisions, all of which are subject to change. These considerations are general in nature and individual shareholders should consult their own tax advisors as to the federal, state, local, and foreign tax considerations applicable to them and their individual circumstances. These same considerations generally do not apply to shareholders who hold their Shares in a tax-deferred account.

The Reorganization is intended to be a tax-free reorganization pursuant to Section 368(a)(1) of the Code. Neither of the Funds has requested or will request an advance ruling from the IRS as to the federal tax consequences of the Reorganization. Based on certain assumptions made by and representations received from the Funds, the law firm of Stradley Ronon Stevens & Young, LLP, on behalf of the Funds, will provide a legal opinion to the effect that, for federal income tax purposes, (1) shareholders of the Target Fund will not recognize any gain or loss as a result of the exchange of their Target Fund Shares for Acquiring Fund Shares, and (2) the Acquiring Fund and its shareholders will not recognize any gain or loss upon receipt of the Target Fund's assets. In addition, the holding period and aggregate tax basis for the Acquiring Fund Shares that are received by a Target Fund shareholder will be the same as the holding period and aggregate tax basis of the Shares of that Target Fund previously held by such shareholder.

Notwithstanding the above, such opinion of counsel may state that no opinion is expressed as to the effect of the Reorganization on the Target Fund or any Target Fund shareholder with respect to any transferred asset as to which any unrealized gain or loss is required to be recognized for federal income tax purposes at the end of a taxable year (or on the termination or transfer thereof) under a mark-to-market system of accounting.

Opinions of counsel are not binding upon the IRS or the courts. If the Reorganization is consummated but the IRS or the courts determine that the Reorganization does not qualify as a tax-free reorganization under the Code, and thus is taxable, the Target Fund would recognize gain or loss on the transfer of its assets to the Acquiring Fund and each shareholder of the Target Fund would recognize a taxable gain or loss equal to the difference between its tax basis in its Target Fund shares and the fair market value of the shares of the Acquiring Fund it receives.

Final Dividend. Prior to the Closing of the Reorganization, the Target Fund will declare one or more dividends, and the Acquiring Fund may declare a dividend, payable at or near the time of Closing to their respective shareholders to the extent necessary to avoid entity level tax or as otherwise deemed desirable.

Limitations on Capital Loss Carryovers. The tax attributes, including capital loss carryovers, of the Target Fund move to the Acquiring Fund in the Reorganization. The capital loss carryovers of the Target Fund and the Acquiring Fund are available to offset future gains recognized by the combined Fund, subject to limitations under the Code. Where these limitations apply, all or a portion of a Fund's capital loss carryovers may become unavailable,

the effect of which may be to accelerate the recognition of taxable gain to the combined Fund and its shareholders post-Closing. First, the capital loss carryovers of the Target Fund, increased by any current year loss or decreased by any current year gain, together with any net unrealized depreciation in the value of its portfolio investments (collectively, its “aggregate capital loss carryovers”), are expected to become subject to an annual limitation. Losses in excess of that limitation may be carried forward to succeeding tax years, subject, in the case of net capital losses that arise in taxable years beginning on or before December 22, 2010 as discussed below, to an overall eight-year carryover period. The annual limitation will generally equal the net asset value of the Target Fund on the Closing Date multiplied by the “long-term tax-exempt rate” published by the IRS. If the Target Fund has net unrealized built-in gains at the time of Closing of the Reorganization (i.e., net unrealized appreciation in value of the Fund’s investments), the annual limitation for a taxable year will be increased by the amount of such built-in gains that are recognized in the taxable year. Second, if a Fund has built-in gains at the time of the Reorganization that are realized by the combined Fund in the five-year period following the Reorganization, such built-in gains, when realized, may not be offset by the losses (including any capital loss carryovers and “built in losses”) of the other Fund. Third, the capital losses of the Target Fund that may be used by the Acquiring Fund (including to offset any “built-in gains” of the Target Fund itself) for the first taxable year ending after the Closing Date will be limited to an amount equal to the capital gain net income of the Acquiring Fund for such taxable year (excluding capital loss carryovers) treated as realized post-Closing based on the number of days remaining in such year. Fourth, the Reorganization may result in an earlier expiration of a Fund’s capital loss carryovers because the Reorganization causes the Target Fund’s tax year to close early in the year of the Reorganization. The aggregate capital loss carryovers of the Funds and the approximate annual limitation on the use by the Acquiring Fund, post-Closing, of the Target Fund’s aggregate capital loss carryovers following the Reorganization are as follows:

Line	Target Fund at 11/30/2010	Acquiring Fund at 11/30/2010
1 Capital Loss Carryovers (as of 11/30/2010)		
2 Expiring 2016-2017	(\$8,984,730)	(\$53,576,805)
3 Net unrealized depreciation in value of investments on a tax basis	n/a	(\$958,343)
4 Aggregate Capital Loss Carryovers	(\$8,984,730)	(\$54,535,148)
5 Net unrealized appreciation in value of investments on a tax basis	\$247,670	n/a
6 Net unrealized appreciation (depreciation) in investments as a percentage of net asset value [L5/L7 and (L3)/L7]	0.7%	-0.6%
7 Net Asset Value	\$34,481,681	\$160,464,614
8 Long-Term Tax-Exempt Rate (June 2011)	4.30%	n/a
9 Approximate Annual Limitation [L7xL8]	\$1,482,712	n/a

Based upon the Acquiring Fund’s capital loss position at November 30, 2010, the annual limitation on the use of its aggregate capital loss carryovers may not prevent the combined Fund from utilizing such losses, albeit over a period of time. However, the effect of the annual limitation may be to cause the combined Fund, post-Closing, to distribute more capital gains in a

taxable year than might otherwise have been the case if no such limitation had applied. The ability of the Acquiring Fund to absorb its own capital loss carryovers and those of the Target Fund post-Closing depends upon a variety of factors that can not be known in advance. For more information with respect to a Fund's capital loss carryovers, please refer to the Fund's shareholder report.

Additionally, the RIC Mod Act eliminated the eight-year carryover period for capital losses that arise in taxable years beginning after its enactment date on December 22, 2010. Consequently, capital losses arising in taxable years beginning after December 22, 2010 can be carried forward indefinitely. However, capital losses incurred in pre-enactment taxable years may not be used to offset capital gains until all net capital losses arising in post-enactment taxable years have been utilized. As a result, some net capital loss carryovers incurred in pre-enactment taxable years which otherwise would have been utilized under prior law may expire.

Net Unrealized Appreciation in Value. If, following the Reorganization, the Acquiring Fund has proportionately greater unrealized appreciation in its portfolio investments as a percentage of its net asset value than the Target Fund, shareholders of the Target Fund, post-Closing, may receive greater amounts of taxable gain as such portfolio investments are sold than they otherwise might have if the Reorganization had not occurred. The Target Fund's unrealized appreciation (depreciation) in value of investments on a tax basis as a percentage of its net asset value at November 30, 2010 is 0.7% compared to the Acquiring Fund at November 30, 2010 of -0.6%, and on a combined basis of -0.4%.

Portfolio Turnover. As discussed above, the Acquiring Fund may experience higher portfolio turnover in the two years following the Closing than it has in recent history as the Manager consolidates the portfolios of the Funds into a single portfolio. Increased portfolio turnover might cause the shareholders of the Acquiring Fund, including the former shareholders of the Target Fund, to be subject to higher taxes, because a higher portfolio turnover rate may accelerate the recognition of capital gains. Although it is difficult to quantify any such potential increase in capital gains, it is anticipated that any such increase would be nominal. As of November 30, 2010, the Target Fund was in a net loss position with net unrealized depreciation of portfolio investments on a tax basis of \$247,670. The Acquiring Fund currently makes monthly distributions to shareholders of \$0.1025 per share, which the Board and Management would continue to review and may change the distribution amount going forward as necessary based on a variety of factors. As always, capital gain recognition will be factored into the overall decision making process used in managing the Acquiring Fund.

Further information on certain tax consequences of the Reorganization is included in the SAI.

Comparison of Acquiring and Target Fund Shares

The following is a general discussion, but not a complete description, of certain characteristics of, and material differences between, the Shares of the Funds. Further information about each Fund's shareholder rights is contained in each Fund's shareholder reports, which are filed with the SEC, and their Organizational Documents (as defined below), Bylaws (as defined below), and under applicable state law.

General

The rights, terms and preferences of shareholders of the Funds are substantially similar. The rights, terms and preferences of a Fund's Shares are controlled by applicable state law as well as by the Fund's "Organizational Documents," which for the Acquiring Fund include its Declaration of Trust and for the Target Fund include its Articles of Incorporation. Certain other corporate governance provisions are contained in the bylaws of each Fund, as amended from time to time (the "Bylaws"). The provisions of each Fund's Organizational Documents and Bylaws are substantially similar. Subject to the 1940 Act, applicable state law, and each Fund's Organizational Documents and Bylaws, each of the Funds is governed by a Board that is elected annually and that consists of the same individuals.

Detailed Comparison

Dividend Rights, Policies and Limitations. Because each Fund engages in a managed or level dividend policy, if a Fund's investments do not generate sufficient income, the Fund may be required to liquidate a portion of its portfolio to pay for such distributions, and therefore such payments may represent a reduction of the holder's principal. Such "returns of capital" are generally not taxable as income under the Code. The portion of a distribution that constitutes a return of capital will decrease the shareholder's tax basis in his Fund shares (but not below zero), and will result in an increase in the amount of gain (or decrease in the amount of loss) that will be recognized by the shareholder for tax purposes on the later sale of such Fund shares.

Dividend Reinvestment Plan. Each Fund offers an automatic dividend reinvestment program ("Plan"). The Plans allow for all distributions of net investment income and capital gains to be automatically reinvested in additional Shares. Acquiring Fund shareholders are automatically enrolled in its Plan unless they elect to receive cash, while Target Fund shareholders must elect to participate. After the Reorganization, Target Fund shareholders that are enrolled in the Target Fund's Plan will be automatically enrolled in the Acquiring Fund's Plan.

Under the Target Fund's Plan, BNY Mellon Shareowner Services ("BNY Mellon SS"), the Funds' transfer agent, applies all distributions on the Target Fund's Shares which become payable to each Plan participant to the purchase of outstanding shares for such participant. These purchases may be made on a securities exchange or in the over-the-counter market, and are subject to such terms of price, delivery and related matters to which BNY Mellon SS may agree. The Target Fund does not issue new shares in connection with its Plan.

Under the Acquiring Fund's Plan, BNY Mellon SS opens an account for each common shareholder in the same name in which such shareholder's Shares are registered. Whenever the Fund declares distributions payable in cash, non-participants in the Plan receive cash and participants in the Plan receive the equivalent in common shares. The common shares are acquired by BNY Mellon SS for the participants' accounts either (i) through receipt of additional unissued but authorized common shares from the Fund or (ii) by purchase of outstanding common shares on the open market on the New York Stock Exchange or elsewhere.

Under each Fund's Plan, BNY Mellon SS charges participants their proportional share of brokerage commissions for open-market purchases. Participants receive a year-end statement

showing distributions reinvested and any brokerage commissions paid on such participant's behalf.

Shareholders holding shares in their own names who wish to terminate their participation in a Plan may do so by sending written instruction to BNY Mellon SS. A shareholder with shares held in an account by a bank, broker or other nominee should contact such nominee to determine the procedure for withdrawal from the Plan.

Each Fund reserves the right to amend or terminate its Plan.

Voting Rights. The Shares of each Fund have no right to cumulative voting in the election of directors or trustees. The rights of holders of each Fund's Shares, as set forth in each Fund's Organizational Documents, may not be modified other than by a vote of at least a majority of that Fund's outstanding Shares, depending on the right in question.

Other Rights and Characteristics. The Shares of the Funds were, and the Acquiring Fund Shares issued in connection with the Reorganization will be, when issued in accordance with the terms of their respective prospectuses, fully paid, non-assessable, and have no preference, preemptive, conversion, liquidation or subscription rights.

Provisions for Delaying or Preventing Changes in Control. Each Fund's Organizational Documents contain provisions designed to prevent or delay changes in control of that Fund.

The Acquiring Fund requires a vote of the majority of the Board and 75% of Shares, or a vote of 80% of the Board and a majority of Shares, to authorize a conversion of the Fund from a closed-end fund to an open-end fund. Approval by a majority of the Board and 75% of the Shares, or two-thirds of the Board and a majority of Shares, is generally required for mergers, reorganizations and recapitalizations, and dispositions of substantially all the assets of the Fund other than in the ordinary course of the Fund's investment activities, or a dissolution of the Fund. The provisions of the Acquiring Fund's Organizational Documents that set forth these voting standards may be amended or repealed only by a vote of the majority of the Board and 75% of Shares or by 80% of the Board and a majority of Shares.

The Target Fund requires a vote of two-thirds of the Board, including a majority of its independent members, and the affirmative vote of at least sixty-six and two-thirds percent of the common Shares and two-thirds of any preferred shares outstanding, to authorize a conversion of the Fund from a closed-end fund to an open-end fund. The provisions of the Target Fund's Organizational Documents that set forth these voting standards may be amended or repealed only by this same vote. The Target Fund requires a vote of sixty-six and two-thirds percent of Shares, or a vote of two-thirds of the Board and a majority of Shares, to authorize a dissolution, merger, consolidation, or disposition of substantially all the assets of the Fund other than in the ordinary course of the Fund's investment activities. The provisions of the Target Fund's Organizational Documents that set forth these voting standards may be amended or repealed only by a vote of sixty-six and two-thirds percent of outstanding shares.

Existing and Pro Forma Capitalization

The following tables set forth, as of November 30, 2010, the capitalizations of the Acquiring Fund and the Target Fund, and the pro forma capitalization of the Acquiring Fund as adjusted to give effect to the Reorganization. The capitalizations of the Funds are likely to be different on the Closing Date due to normal market and trading activity.

	Target Fund	Acquiring Fund	Acquiring Fund after the Reorganization (pro forma)*
Net Assets (millions)	\$34,481,681	\$160,464,614	\$194,746,047
Shares Outstanding	4,931,031	13,024,844	15,817,981
Net Asset Value per Common Share	\$6.99	\$12.32	\$12.31

* Reflects estimated costs of the Reorganization of \$200,248 allocated to the Funds.

INFORMATION ABOUT THE FUNDS

General Description

Organization; Investment Company Classification

The Acquiring Fund is a Delaware statutory trust, organized on April 12, 2007. The Target Fund is a Maryland corporation, organized on September 22, 1993. Each Fund is registered under the 1940 Act as a diversified, closed-end management investment company. “Diversified” means that the Fund is limited in the amount it can invest in a single issuer. A closed-end fund (unlike an “open-end” or “mutual” fund) generally does not continuously sell and redeem its shares; in the case of the Funds, Shares are bought and sold on the Exchange. A “management” investment company is managed by an investment adviser — the Manager in the case of the Funds — that buys and sells portfolio securities on behalf of the investment company. A Fund would need to obtain shareholder approval to become an open-end fund.

Investment Strategies

As discussed above under “Summary - Key Features of the Acquiring Fund and the Target Fund - Investment Objectives and Strategies,” the Funds have substantially similar investment objectives and similar investment strategies. The following discussion provides a brief description of the types of investments in which the Funds focus. Further information on these and other investments and strategies of the Funds is included in the SAI.

Equity. Each Fund may invest in common stocks, preferred stocks, and convertible securities. The Acquiring Fund may invest in exchange-traded funds, or “ETFs,” as well as in other closed-end funds.

Debt. Each Fund may invest in corporate bonds, government debt securities, and other debt securities. All of such investments may be high yield debt securities that are rated below investment grade (i.e., securities rated lower than Baa by Moody’s or lower than BBB by S&P), or unrated but determined to be of equivalent quality by the Manager.

Illiquid Securities. Each Fund may invest up to 10% of its portfolio in illiquid securities. Illiquid securities include securities that have legal or contractual restrictions on resale, securities that are not readily marketable, and repurchase agreements maturing in more than seven days, and other securities that may not be readily marketable.

Restricted Securities. Each Fund may invest in securities whose trading is restricted under Rule 144A of the Securities Act of 1934, as amended. Such securities may be considered illiquid.

Foreign Securities. Each Fund will under normal circumstances invest 40% of its net assets in securities of non-U.S. issuers, unless market conditions are not deemed favorable by the Manager, in which case such Fund would invest at least 30% of its net assets in the securities of non-U.S. issuers. For both Funds, foreign securities may include those of emerging markets.

Real Estate Investment Trusts. The Acquiring Fund may invest in REITs and similar foreign entities, as well as in real estate operating companies, with no set limit. The Target Fund may invest up to 25% of its assets in REITs.

Securities Lending. Each Fund may lend up to 25% of its portfolio securities.

Derivatives. Each Fund may use various types of derivatives for hedging purposes or to gain exposure to the markets in which the Fund invests. The Acquiring Fund may use purchases of put and call options, options on stock indices and stock index futures and entry into certain credit derivative transactions as hedges against or substitutes for investments in equity securities. The Target Fund will not engage in option writing for speculative purposes. The Target Fund will write only covered call options or secured put options. The Target Fund may write covered call options in amount not to exceed 10% of Target Fund's total assets, for hedging or to increase shareholder return. The Target Fund may purchase and write index options as well as options on securities matching its investment objectives and strategies. The Target Fund may enter into futures contracts for purposes other than bona fide hedging if, immediately thereafter, the sum of the amount of its initial margin and premiums on open contracts and options would not exceed 5% of the liquidation value of the Target Fund's portfolio, excluding any options to the extent they are "in the money."

Portfolio Turnover. Neither Fund is limited with respect to portfolio turnover. Portfolio securities may be sold without regard to the length of time they have been in a Fund's portfolio. A Fund's portfolio turnover may exceed 100% in any given year and, the Acquiring Fund anticipates that its annual portfolio turnover rate may exceed 100% under normal market conditions, although it could be materially higher under certain conditions. Additionally, a potential for high portfolio turnover exists following the Reorganization as the assets of the Target Fund may be repositioned to more closely align with the Acquiring Fund's portfolio strategy.

Leverage. Each Fund may borrow or invest in short term debt securities. Each Fund may use other forms of leverage, including the issuance of preferred shares, to the extent permitted by the 1940 Act.

Temporary Defensive Position. Each Fund may, from time to time, in response to unfavorable market conditions, make temporary investments in cash or cash equivalents or other high-quality, short-term instruments. These investments may not be consistent with a Fund's investment objective. To the extent that a Fund holds such instruments, it may be unable to achieve its investment objective.

More information on these and other strategies, including certain hedging strategies, and related risks, is available in the SAI.

Fundamental Investment Restrictions

Each Fund is subject to the following restrictions that are "fundamental," which means that they can be changed only with approval by the holders of a "majority" of the Fund's outstanding shares, which is a vote by the holders of the lesser of: (a) 67% or more of the voting securities of the Fund present in person or by proxy at a meeting, if the holders of more than 50% of the outstanding voting securities are present or represented by proxy; or (b) more than 50% of the outstanding voting securities of the Fund. The percentage limitations contained in the restrictions and policies set forth herein apply at the time of purchase of securities.

Neither Fund will make investments that would result in the concentration (as that term may be defined in the 1940 Act, any rule or order thereunder, or SEC staff interpretation thereof) of its investments in the securities of issuers primarily engaged in the same industry, provided that this restriction does not limit the Fund from investing in obligations issued or guaranteed by the U.S. Government, its agencies, or instrumentalities, or in tax-exempt obligations or certificates of deposit.

Neither Fund may borrow money or issue senior securities, except as the 1940 Act, any rule or order thereunder, or SEC staff interpretation thereof, may permit.

Neither Fund may underwrite the securities of other issuers, except that the Fund may engage in transactions involving the acquisition, disposition or resale of its portfolio securities, under circumstances where it may be considered to be an underwriter under the Securities Act of 1933.

Neither Fund may purchase or sell real estate, unless acquired as a result of ownership of securities or other instruments and provided that this restriction does not prevent the Fund from investing in issuers that invest, deal, or otherwise engage in transactions in real estate or interests therein, or investing in securities that are secured by real estate or interests therein.

Neither Fund may purchase or sell physical commodities, unless acquired as a result of ownership of securities or other instruments and provided that this restriction does not prevent the Fund from engaging in transactions involving futures contracts and options thereon or investing in securities that are secured by physical commodities.

Finally, neither Fund may make loans, provided that this restriction does not prevent the Fund from purchasing debt obligations, entering into repurchase agreements, loaning its assets to broker/dealers or institutional investors, and investing in loans, including assignments and participation interests.

More information on the Funds' investment policies is available in the SAI.

Dividends, distributions, and taxes

Dividends and Distributions

Each Fund intends to qualify each year as a regulated investment company under the Internal Revenue Code. As a regulated investment company, a Fund generally pays no federal income tax on the income and gains it distributes to you. Each Fund has implemented a managed distribution policy under which the Fund is managed with a goal of generating as much of the distribution as possible from net investment income and short-term capital gains. The balance of the distribution will come from long-term capital gains to the extent permitted, and if necessary, a return of capital. It is likely that, from time to time, the Fund will distribute more than its income and net realized capital gains; therefore, a portion of a shareholder's distribution would be a return of capital. A return of capital may occur, for example, when some or all of the money that you invested in the Fund is paid back to you. A return of capital does not necessarily reflect the Fund's investment performance and should not be confused with "yield" or "income." Even though a Fund may realize current year capital gains, such gains may be offset, in whole or in part, by the Fund's capital loss carryovers from prior years. For federal income tax purposes, the effect of such capital loss carryovers may be to convert (to the extent of such current year gains) what would otherwise be returns of capital into distributions taxable as ordinary income. This tax effect can occur during times of extended market volatility. Under the RIC Mod Act, this tax effect attributable to a Fund's capital loss carryovers (the conversion of returns of capital into distributions taxable as ordinary income) will no longer apply to net capital losses of a Fund arising in Fund tax years beginning after November 30, 2011. Each Fund offers an automatic dividend reinvestment program, discussed above under "Information About the Reorganization - Description of Acquiring Fund Shares to be Issued - Dividend Reinvestment Plan."

Annual Statements

Each year, the Funds will send you an annual statement (Form 1099) of your account activity to assist you in completing your federal, state and local tax returns. Distributions declared in December to shareholders of record in such month, but paid in January, are taxable as if they were paid in December. Prior to issuing your statement, the Funds make every effort to search for reclassified income to reduce the number of corrected forms mailed to shareholders. However, when necessary, a Fund will send you a corrected Form 1099 to reflect reclassified information.

Tax Considerations

Fund Distributions. Each Fund expects, based on its investment objective and strategies, that its distributions, if any, will be taxable as ordinary income, capital gains, or some combination of both. This is true whether you reinvest your distributions in additional Fund shares or receive them in cash.

Distributions paid by the Fund from its ordinary income and the excess of net short term capital gains over net long term capital losses (together referred to hereinafter as "ordinary income dividends"), are generally taxable to you as ordinary income to the extent of the

Fund's earnings and profits. A portion of such distributions (if reported by the Fund) may, however, qualify (provided holding periods and other requirements are met) (i) for the dividends received deduction in the case of corporate shareholders to the extent that the Fund's income consists of dividend income from U.S. corporations, and (ii) for taxable years beginning before January 1, 2013, as qualified dividend income eligible for the reduced maximum U.S. federal tax rate to individuals of generally 15% (which is further reduced for individuals in lower tax brackets) to the extent that the Fund receives qualified dividend income. Qualified dividend income is, in general, dividend income from taxable domestic corporations and certain foreign corporations (e.g., generally, foreign corporations incorporated in a possession of the United States or in certain countries with a qualified comprehensive tax treaty with the United States, or whose stock with respect to which such dividend is paid is readily tradable on an established securities market in the United States). Given the investment techniques and strategies utilized by the Fund, such as investments in certain foreign securities, REITs, and preferred securities, there can be no assurance as to what portion of the Fund's ordinary income dividends will qualify for the dividends received deduction or constitute qualified dividend income. Distributions made from net capital gain, which is the excess of net long term capital gains over net short term capital losses ("capital gain dividends"), including capital gain dividends credited to a shareholder but retained by the Fund, are taxable to shareholders as long term capital gains if they have been properly reported by the Fund, regardless of the length of time the shareholder has owned common shares of the Fund. The maximum U.S. federal tax rate on net long term capital gain of individuals is generally 15% (which is further reduced for individuals in lower brackets) for such gain realized before January 1, 2013.

If, for any calendar year, the Fund's total distributions exceed both current earnings and profits and accumulated earnings and profits, the excess will generally be treated as a tax free return of capital up to the amount of a shareholder's tax basis in the common shares. The amount treated as a tax free return of capital will reduce a shareholder's tax basis in the common shares, thereby increasing such shareholder's potential gain or reducing his or her potential loss on the sale of the common shares. Any amounts distributed to a shareholder in excess of his or her tax basis in the common shares will be taxable to the shareholder as capital gain (assuming the common shares are held as a capital asset).

Sale of Fund Shares. A sale of Fund shares is a taxable event and, accordingly, a capital gain or loss may be recognized.

Backup Withholding. By law, if you do not provide a Fund with your proper taxpayer identification number and certain required certifications, you may be subject to backup withholding on any distributions of income, capital gains, or proceeds from the sale of your shares. A Fund also must withhold if the IRS instructs it to do so. When withholding is required, the amount will be 28% of any distributions or proceeds paid.

State and Local Taxes. Fund distributions and gains from the sale or exchange of your Fund shares generally are subject to state and local taxes.

Non-U.S. Investors. Non-U.S. investors may be subject to U.S. withholding tax at a 30% or lower treaty rate and U.S. estate tax and are subject to special U.S. tax certification requirements to avoid backup withholding and claim any treaty benefits. Exemptions from U.S. withholding tax are provided for capital gain dividends paid by a Fund from long-term capital gains, if any, and, with respect to taxable years of a Fund that begin before January 1, 2012 (unless such sunset date is extended or made permanent), interest-related dividends paid by a Fund from its qualified net interest income from U.S. sources and short-term capital gain dividends. However, notwithstanding such exemptions from U.S. withholding at the source, any such dividends and distributions of income and capital gains will be subject to backup withholding at a rate of 28% if you fail to properly certify that you are not a U.S. person.

Annual Tender Offers

The Acquiring Fund does not make tender offers on a regular basis. The Acquiring Fund's Board is required to consider from time to time actions that may be taken to reduce or eliminate any material discount in the trading of the Fund's shares from NAV. The actions that may be considered include the repurchase of shares in the open market or in private transactions, the making of a tender offer for such shares at NAV, or the conversion of the Acquiring Fund into an open-end investment company or other programs. The Target Fund generally conducts an annual tender offer of the Target Fund's issued and outstanding Shares if, during the period of twelve calendar weeks prior to a date in the second quarter designated by the Board, Shares have traded on the principal securities exchanges where listed, at an average discount from NAV of more than 3%, as of the last trading day in each week during such twelve-week period. Certain exceptions apply to this annual requirement. There can be no assurance that any such tender offer will actually reduce or eliminate any spread between market price and the NAV of the Shares. The market price of Shares is determined by, among other things, the relative demand for and supply of Shares in the market, the Target Fund's investment performance, the Target Fund's dividends and yields and investor perception of the Target Fund's overall attractiveness as an investment as compared with other investment alternatives. The Target Fund makes no assurance that it will conduct tender offers in the future.

Share Price Data

The Exchange is the principal trading market for the Shares. The following tables compare historical quarterly high and low sales prices for Shares of the Funds.

Acquiring Fund

Quarterly Period Ending	High Price	Net Asset Value	Premium (Discount)	Low Price	Net Asset Value	Premium (Discount)
February 28, 2009	\$7.83	\$9.53	(17.84%)	\$5.72	\$8.21	(30.33%)
May 31, 2009	8.49	10.32	(17.73%)	5.22	7.73	(32.47%)
August 31, 2009	10.76	11.49	(6.35%)	8.58	10.14	(15.38%)
November 30, 2009	12.29	12.22	0.57%	10.39	11.30	(8.05%)
February 28, 2010	12.44	12.53	(0.72%)	10.65	11.64	(8.51%)
May 31, 2010	12.90	12.79	0.86%	10.46	11.29	(7.35%)
August 31, 2010	12.28	12.26	0.16%	10.79	11.24	(4.00%)
November 30, 2010	13.02	12.98	0.31%	12.00	11.90	0.84%
February 28, 2011	13.46	13.30	1.20%	12.05	12.49	(3.52%)
May 31, 2011	13.62	13.70	(0.58%)	12.48	12.65	(1.34%)

Target Fund

Quarterly Period Ending	High Price	Net Asset Value	Premium (Discount)	Low Price	Net Asset Value	Premium (Discount)
February 28, 2009	5.02	5.93	(15.35%)	3.92	4.82	(18.67%)
May 31, 2009	5.50	5.93	(7.25%)	3.60	4.52	(20.35%)
August 31, 2009	6.37	6.63	(3.92%)	5.25	5.67	(7.41%)
November 30, 2009	6.83	7.19	(5.01%)	6.04	6.45	(6.36%)
February 28, 2010	7.46	7.33	1.77%	6.50	6.66	(2.40%)
May 31, 2010	7.49	7.43	0.81%	6.10	6.33	(3.63%)
August 31, 2010	7.15	6.95	2.88%	6.21	6.29	(1.27%)
November 30, 2010	7.33	7.43	(1.35%)	6.84	6.70	2.09%
February 28, 2011	7.43	7.72	(3.76%)	7.01	7.11	(1.41%)
May 31, 2011	7.91	7.98	(0.88%)	6.94	7.27	(4.54%)

As of May 31, 2011, the NAV for Shares of the Acquiring Fund was \$13.53 and the market price per share was \$13.62, representing a premium to NAV of 0.67%, and the NAV of Shares of the Target Fund was \$7.88 and the market price per share was \$7.91, representing a premium to NAV of 0.38%.

Shares of each Fund trade on the Exchange at a market price that is determined by current supply and demand conditions. The market price of a Fund's Shares may or may not be the same as the Fund's NAV — that is, the value of the portfolio securities owned by the Fund less its liabilities. When the market price of a Fund's Shares exceeds its NAV, the Shares are said to be “trading at a premium.” When the market price of a Fund's Shares is lower than its NAV, they are said to be “trading at a discount.” It is very difficult to identify all of the factors that may cause a closed-end fund's shares to trade at a discount. It is often difficult to reduce or eliminate a closed-end fund's discount over the long term. Some short-term measures, such as share repurchases and tender offers, tend to reduce a closed-end fund's assets but do not typically

have a long-term effect on the discount. Other measures, such as managed dividend programs, may not have a consistent long-term effect on discounts.

While the Board of each Fund has determined that the Reorganization is in the best interests of each Fund's shareholders, there is no expectation that the Reorganization will have any long-term effect or influence on whether the Acquiring Fund trades at a discount or a premium after the Reorganization. Whether a Fund has been trading at a premium or discount was not a significant factor in each Board's approval of the Agreement and recommendation for approval to Fund shareholders. The Acquiring Fund's Board will continue to monitor any discount or premium at which the Acquiring Fund trades after the Reorganization, and the Board will evaluate what (if any) further action is appropriate at that time to address any discount or premium.

Performance of the Funds

The total return figures at NAV for the Funds, as of March 31, 2011, are shown below (past performance is no guarantee of future results).

	1 Year	3 Years	5 Years	10 Years
Target Fund	17.09%	1.16%	2.05%	7.85%
Acquiring Fund	16.94%	6.30%	n/a	n/a
S&P 500 Total Return Index	15.65%	2.35%	2.62%	3.29%

As of May 31, 2011, the Target Fund had a monthly distribution amount of \$0.0575 per share while the Acquiring Fund had a monthly distribution amount of \$0.1025 per share.

Management

Board of Directors or Trustees; Officers

The management of the business and affairs of each Fund is the responsibility of its Board. Each Board elects officers who are responsible for the day-to-day operations of the Fund. Each Fund's Board currently consists of the same individuals, and each Fund is currently served by the same individuals as officers.

Investment Manager

The Manager manages the assets of the Funds and makes the investment decisions for each Fund. The Manager is a series of Delaware Management Business Trust, which is located at 2005 Market Street, Philadelphia, Pennsylvania 19103 and is an indirect, wholly owned subsidiary of Macquarie Group Limited ("Macquarie Group"). Macquarie Group (ASX: MQG; ADR: MQBKY), along with its subsidiaries and affiliates worldwide, is headquartered in Sydney, Australia and is a global provider of banking, financial, advisory, investment and fund management services. The Manager and its predecessors have been managing the assets of the funds in the Delaware Investments Family of Funds since 1938. Delaware Investments, a member of Macquarie Group, is a U.S.-based diversified asset management firm with more than \$150 billion in assets under management (as of March 31, 2011). Through a team of talented investment professionals, the firm manages assets across all major asset classes for a wide range of institutional and individual investors. Delaware Investments is supported by the resources of

Macquarie Group, a global provider of asset management, investment, banking, financial and advisory services with approximately US \$321 billion in assets under management as of March 31, 2011.

Under each Fund's investment management agreement ("Investment Management Agreement"), the Manager regularly makes decisions as to what securities and other instruments to purchase and sell on behalf of each Fund and effects the purchase and sale of those investments in furtherance of that Fund's investment objectives and policies. The Manager also furnishes the Board of each Fund with such information and reports regarding the Fund's investments as the Manager deems appropriate or as the Board may reasonably request.

In accordance with the terms of its respective Investment Management Agreement, each Fund pays the Manager a management fee, calculated based on the adjusted average weekly net assets of the Fund. The Target Fund's management fee is paid at a rate of 0.70%, and the Acquiring Fund's fee is paid at a rate of 1.00%. If the Reorganization is approved by shareholders and completed, the Manager has agreed to permanently reduce the Acquiring Fund's management fee from 1.00% to 0.95%. The manager anticipates that this reduction in the Acquiring Fund's management fee will reduce the overall expense ratio of the Acquiring Fund. The management fees paid by the Funds are used by the Manager to pay for the personnel, equipment, office space and facilities that are needed to manage the assets of the Funds and to administer their affairs. The Manager, as part of its administrative services, pays operating expenses on behalf of the Funds and is reimbursed on a periodic basis. Such expenses include items such as printing of shareholder reports, fees for audit, legal and tax services, registration fees, and fees of directors and trustees.

Portfolio Management

The Funds are served by many of the same portfolio managers. Each Fund's portfolio management team includes Babak Zenouzi, Damon J. Andres, Wayne A. Anglace, D. Tysen Nutt, Jr., Thomas H. Chow, Roger A. Early, Kevin P. Looime, and Edward A. Gray in making day-to-day decisions. The Acquiring Fund's day-to-day management team also includes Liu-Er Chen and Laura Ostrander, while the Target Fund's day-to-day management team also includes Anthony A. Lombardi, Robert Vogel, Jr., Nikhil G. Lalvani, Kristen F. Bartholdson, and Todd A. Bassion. Below is biographical information on these portfolio managers.

The following portfolio managers participate in the management of both Funds:

Babak "Bob" Zenouzi, Senior Vice President, Chief Investment Officer – Real Estate Securities and Income Solutions (RESIS). Bob Zenouzi is the lead manager for the real estate securities and income solutions (RESIS) group at Delaware Investments, which includes the team, its process, and its institutional and retail products, which he created during his prior time with the firm. He also focuses on opportunities in Japan, Singapore, and Malaysia for the firm's global REIT product. Additionally, he serves as lead portfolio manager for the firm's Dividend Income products, which he helped to create in the 1990s. He is also a member of the firm's asset allocation committee, which is responsible for building and managing multi-asset class portfolios. He rejoined Delaware Investments in May 2006 as senior portfolio manager and head of real estate securities. In his first term with the firm, he spent seven years as an analyst and portfolio manager, leaving in 1999 to work at Chartwell Investment Partners, where from 1999

to 2006 he was a partner and senior portfolio manager on Chartwell's Small-Cap Value portfolio. He began his career with The Boston Company, where he held several positions in accounting and financial analysis. Zenouzi earned a master's degree in finance from Boston College and a bachelor's degree from Babson College. He is a member of the National Association of Real Estate Investment Trusts and the Urban Land Institute.

Damon J. Andres, CFA, Vice President, Senior Portfolio Manager. Damon J. Andres, who joined Delaware Investments in 1994 as an analyst, currently serves as a portfolio manager for the firm's real estate securities and income solutions (RESIS) group. He also serves as a portfolio manager for the firm's Dividend Income products. From 1991 to 1994, he performed investment-consulting services as a consulting associate with Cambridge Associates. Andres earned a bachelor's degree in business administration with an emphasis in finance and accounting from the University of Richmond.

Wayne A. Anglace, CFA, Vice President, Portfolio Manager, Research Analyst, Convertible Bond Trader. Wayne A. Anglace currently serves as a portfolio manager and trader for the firm's convertible bond strategies. He also serves as a research analyst on the firm's taxable fixed income team with specific responsibilities for the healthcare and deathcare sectors. Prior to joining the firm in March 2007 as a research analyst and trader, he spent more than two years as a research analyst at Gartmore Global Investments for its convertible bond strategy. From 2000 to 2004, Anglace worked in private client research at Deutsche Bank Alex Brown in Baltimore where he focused on equity research, and he started his financial services career with Ashbridge Investment Management in 1999. Prior to moving to the financial industry, Anglace worked as a professional civil engineer. He earned his bachelor's degree in civil engineering from Villanova University and an MBA with a concentration in finance from Saint Joseph's University, and he is a member of the CFA Society of Philadelphia.

Thomas H. Chow, CFA, Senior Vice President, Senior Portfolio Manager. Thomas H. Chow is a member of the firm's taxable fixed income portfolio management team, with primary responsibility for portfolio construction and strategic asset allocation in investment grade credit exposures. He is the lead portfolio manager for Delaware Corporate Bond Fund and Delaware Extended Duration Bond Fund, as well as several institutional mandates. His experience includes significant exposure to asset liability management strategies and credit risk opportunities. Prior to joining Delaware Investments in 2001 as a portfolio manager working on the Lincoln General Account, he was a trader of high grade and high yield securities, and was involved in the portfolio management of collateralized bond obligations (CBOs) and insurance portfolios at SunAmerica/AIG from 1997 to 2001. Before that, he was an analyst, trader, and portfolio manager at Conseco Capital Management from 1989 to 1997. Chow received a bachelor's degree in business analysis from Indiana University, and he is a Fellow of Life Management Institute.

Roger A. Early, CPA, CFA, CFP, Senior Vice President, Co-Chief Investment Officer — Total Return Fixed Income Strategy. Roger A. Early rejoined Delaware Investments in March 2007 as a member of the firm's taxable fixed income portfolio management team, with primary responsibility for portfolio construction and strategic asset allocation. During his previous time at the firm, from 1994 to 2001, he was a senior portfolio manager in the same area, and he left Delaware Investments as head of its U.S. investment grade fixed income group. In recent years,

Early was a senior portfolio manager at Chartwell Investment Partners and Rittenhouse Financial and served as the chief investment officer for fixed income at Turner Investments. Prior to joining Delaware Investments in 1994, he worked for more than 10 years at Federated Investors where he managed more than \$25 billion in mutual fund and institutional portfolios in the short-term and investment grade markets. He left the firm as head of institutional fixed income management. Earlier in his career, he held management positions with the Federal Reserve Bank, PNC Financial, Touche Ross, and Rockwell International. Early earned his bachelor's degree in economics from The Wharton School of the University of Pennsylvania and an MBA with concentrations in finance and accounting from the University of Pittsburgh. He is a member of the CFA Society of Philadelphia.

Edward A. "Ned" Gray, CFA, Senior Vice President, Chief Investment Officer — International Value Equity. Ned Gray joined Delaware Investments in June 2005 in his current position, developing the firm's International Value Equity team, from Arborway Capital, which he co-founded in January 2005. He previously worked in the investment management business at Thomas Weisel Asset Management, and ValueQuest, which was acquired by TWAM in 2002. At ValueQuest, which he joined in 1987, Gray served as a senior investment professional with responsibilities for portfolio management, security analysis, quantitative research, performance analysis, global research, back office/investment information systems integration, trading, and client and consultant relations. Prior to ValueQuest, he was a research analyst at the Center for Competitive Analysis. Gray received his bachelor's degree in history from Reed College and a master of arts in law and diplomacy, in international economics, business and law from Tufts University's Fletcher School of Law and Diplomacy.

Kevin P. Loomer, CFA, Senior Vice President, Senior Portfolio Manager, Head of High Yield Investments. Kevin P. Loomer is head of the High Yield fixed income team, responsible for portfolio construction and strategic asset allocation of all high yield fixed income assets. Prior to joining Delaware Investments in August 2007 in his current position, Loomer spent 11 years at T. Rowe Price, starting as an analyst and leaving the firm as a portfolio manager. He began his career with Morgan Stanley as a corporate finance analyst in the New York and London offices. Loomer received his bachelor's degree in commerce from the University of Virginia and earned an MBA from the Tuck School of Business at Dartmouth.

D. Tysen Nutt Jr., Senior Vice President, Senior Portfolio Manager, Team Leader. D. Tysen Nutt Jr. is senior portfolio manager and team leader for the firm's Large-Cap Value team. Before joining Delaware Investments in 2004 as senior vice president and senior portfolio manager, Nutt led the U.S. Active Large-Cap Value team within Merrill Lynch Investment Managers, where he managed mutual funds and separate accounts for institutions and private clients. He departed Merrill Lynch Investment Managers as a managing director. Prior to joining Merrill Lynch Investment Managers in 1994, Nutt was with Van Deventer & Hoch where he managed large-cap value portfolios for institutions and private clients. He began his investment career at Dean Witter Reynolds, where he eventually became vice president, investments. Nutt earned his bachelor's degree from Dartmouth College, and he is a member of the New York Society of Security Analysts and the CFA Institute.

Additionally, Liu-Er Chen and Laura A. Ostrander, whose biographical information is below, provide day-to-day management for the Acquiring Fund.

The following portfolio managers participate in the management of the Acquiring Fund only:

Liu-Er Chen, CFA, Senior Vice President, Chief Investment Officer – Emerging Markets and Healthcare. Liu-Er Chen heads the firm’s global Emerging Markets team, and he is also the portfolio manager for the Delaware Healthcare Fund, which launched in September 2007. Prior to joining Delaware Investments in September 2006 in his current position, he spent nearly 11 years at Evergreen Investment Management Company, where he most recently served as managing director and senior portfolio manager. He co-managed the Evergreen Emerging Markets Growth Fund from 1999 to 2001, and became the Fund’s sole manager in 2001. He also served as the sole manager of the Evergreen Health Care Fund since its inception in 1999. Chen began his career at Evergreen in 1995 as an analyst covering Asian and global healthcare stocks, before being promoted to portfolio manager in 1998. Prior to his career in asset management, Chen worked for three years in sales, marketing, and business development for major American and European pharmaceutical and medical device companies. He is licensed to practice medicine in China and has experience in medical research at both the Chinese Academy of Sciences and Cornell Medical School. He holds an MBA with a concentration in management from Columbia Business School.

Laura A. Ostrander, Vice President, Senior Portfolio Manager. Laura A. Ostrander joined Delaware Investments in August 2010 as a senior portfolio manager specializing in emerging markets debt. Before joining the firm, she worked at Columbia Management, serving as lead portfolio manager on the firm’s multi-sector product since 2002, and as co-portfolio manager of the product since 1999. As lead portfolio manager, Ostrander was responsible for the overall asset allocation across U.S. government, emerging market, developed market foreign government, and high yield corporate bonds, and was directly responsible for the investment of assets in the U.S. and foreign sectors of the product. She was head of the Columbia Management international team from 1996 until her departure. Earlier on, Ostrander held portfolio management roles at American Express Financial, American Express Bank, and Offitbank. She has more than 20 years of experience in the financial services industry and more than 10 years of experience managing global fixed income portfolios. She earned her bachelor’s degree in economics from St. John Fisher College.

Target Fund’s day-to-day management team also includes Anthony A. Lombardi, Robert Vogel, Jr., Nikhil G. Lalvani, Kristen F. Bartholdson, and Todd A. Bassion. Below is biographical information on these portfolio managers.

The following portfolio managers participate in the management of the Target Fund only:

Kristen E. Bartholdson, Vice President, Senior Portfolio Manager. Kristen E. Bartholdson is a senior portfolio manager for the firm’s Large-Cap Value team. Prior to joining the firm in 2006 as an associate portfolio manager, she worked at Susquehanna International Group from 2004 to 2006, where she was an equity research salesperson. From 2000 to 2004 she worked in equity research at Credit Suisse, most recently as an associate analyst in investment strategy. Bartholdson earned her bachelor’s degree in economics from Princeton University.

Todd A. Bassion, CFA, Vice President, Portfolio Manager. Todd A. Bassion joined Delaware Investments in June 2005 as a senior analyst on the firm's International Value Equity team. He co-manages the International Value Equity and Global Value funds and takes a lead role in generating and researching new companies for the portfolios. Bassion previously worked at Arborway Capital, where he was a key part of the team that started at ValueQuest/TA and moved to Thomas Weisel Asset Management with its acquisition of ValueQuest/TA in 2002. Bassion, who joined ValueQuest/TA in 2000, served as a research associate there. Bassion earned a bachelor's degree in economics from Colorado College.

Nikhil G. Lalvani, CFA, Vice President, Senior Portfolio Manager. Nikhil G. Lalvani is a senior portfolio manager for the firm's Large-Cap Value team. At Delaware Investments, Lalvani has served as both a fundamental and quantitative analyst. Prior to joining the firm in 1997 as an account analyst, he was a research associate with Bloomberg. Lalvani holds a bachelor's degree in finance from The Pennsylvania State University. He is a member of the CFA Institute and the CFA Society of Philadelphia.

Anthony A. Lombardi, CFA, Vice President, Senior Portfolio Manager. Anthony A. Lombardi is a senior portfolio manager for the firm's Large-Cap Value team. Prior to joining the firm in 2004 in his current role, Lombardi was a director at Merrill Lynch Investment Managers. He joined Merrill Lynch Investment Managers' Capital Management Group in 1998 and last served as a portfolio manager for the U.S. Active Large-Cap Value team, managing mutual funds and separate accounts for institutions and private clients. From 1990 to 1997, he worked at Dean Witter Reynolds as a sell-side equity research analyst. He began his career as an investment analyst with Crossland Savings. Lombardi graduated from Hofstra University, receiving a bachelor's degree in finance and an MBA with a concentration in finance. He is a member of the New York Society of Security Analysts and the CFA Institute.

Robert A. Vogel Jr., CFA, Vice President, Senior Portfolio Manager. Robert A. Vogel Jr. is a senior portfolio manager for the firm's Large-Cap Value team. Prior to joining Delaware Investments in 2004 as vice president and senior portfolio manager, he worked at Merrill Lynch Investment Managers for more than seven years, where he rose to the position of director and portfolio manager within the U.S. Active Large-Cap Value team. He began his career in 1992 as a financial consultant at Merrill Lynch. Vogel graduated from Loyola College in Maryland, earning both bachelor's and master's degrees in finance. He also earned an MBA with a concentration in finance from The Wharton School of the University of Pennsylvania. Vogel is a member of the New York Society of Security Analysts, the CFA Institute, and the CFA Society of Philadelphia.

Administrators, Transfer Agent and Custodian

Fund Administration. The Funds have engaged Delaware Service Company, Inc. ("DSC"), an affiliate of the Manager, to provide accounting and administration oversight services. DSC's fees for providing these services are based on average net assets and paid on a monthly basis. Each Fund pays the same administration fee rate for the services of DSC.

Transfer Agent. BNY Mellon Shareowner Services serves as registrar, stock transfer agent and dividend paying agent for the Funds. The main office of BNY Mellon Shareowner Services is 480 Washington Boulevard, Jersey City, New Jersey 07310.

Custodian. The Bank of New York Mellon is the custodian of the securities and all other assets of the Funds. The main office of the Bank of New York Mellon is One Wall Street, New York, New York 10286-0001.

Expenses

Each Fund is responsible for conducting its own business and affairs and bears the related expenses, including the costs incurred in the maintenance of its corporate existence; the maintenance of its own books, records and procedures; dealing with its own shareholders; the payment of dividends; transfer of shares, including issuance, redemption and repurchase of shares; preparation of any share certificates; reports and notices to shareholders; calling and holding of shareholders' and Trustees' or Directors' meetings; miscellaneous office expenses; brokerage commissions; custodian fees; legal, auditing, fund accounting and financial administration fees; taxes; federal and state registration fees; and other costs and expenses approved by the Board.

Any trustee, officer or employee of the Manager who is a trustee, director, officer and/or employee of a Fund shall not receive any compensation from the Fund for acting in that dual capacity.

Expenses common to all funds within the Delaware Investments Family of Funds are allocated among the funds based on average net assets. Management fees and other expenses are paid monthly. The Funds may receive earnings credits from their custodian when positive cash balances are maintained, which are used to offset custody fees.

Proxy Material, Reports and Other Information

Each Fund is subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). In accordance with the 1940 Act and the Exchange Act, each Fund files reports and other information with the SEC. Proxy materials, reports and other information filed by the Funds can be inspected and copied at the public reference facilities maintained by the SEC in Washington, D.C., and copies of such material can be obtained from the EDGAR database on the SEC web site (www.sec.gov). You can get copies of this information, after paying a duplication fee, by e-mailing the SEC at publicinfo@sec.gov or by writing to the Public Reference Section of the SEC, 100 F Street, NE, Washington, DC 20549-0102. Information about the Funds can be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. For information on the Public Reference Room, call the SEC at 202 551-8090. In addition, reports, proxy statements and other information concerning the Funds can be inspected at the Exchange.

VOTING INFORMATION

Revocability of Proxy

Shareholders may revoke proxies or change voting instructions at any time until the vote is taken at the Meeting. Shareholders may also attend the Meeting and cast their vote in person. However, a shareholder whose shares are held of record by a broker-dealer (or other nominee) who wishes to vote in person at the Meeting must obtain a "legal proxy" from the broker-dealer

holder of record (or other nominee) and present it to the Inspector of Elections at the Meeting. Only persons who held Shares of a Fund as of the record date will be admitted to the Meeting.

Persons Making the Solicitation

The Board of each Fund is soliciting its respective shareholders for approval of the Agreement. The Funds expect that the solicitations will be primarily by mail, but solicitations also may be made by advertisement, telephone, fax or other electronic media, or personal contacts. The Funds will request broker-dealer firms, custodians, nominees and fiduciaries to forward proxy materials to the beneficial owners of the Shares. The Funds may reimburse broker-dealer firms, custodians, nominees and fiduciaries for their reasonable expenses incurred in connection with the proxy solicitation. In addition to solicitations by mail, officers and employees of each Fund and of the Manager may, without extra pay, conduct additional solicitations. The Funds have engaged Computershare Fund Services, Inc. (“Computershare”) to solicit proxies from brokers, banks, other institutional holders and individual shareholders at an anticipated cost of approximately \$29,998, including out of pocket expenses, which will be borne as described above. Fees and expenses may be greater depending on the effort necessary to obtain shareholder votes. The Funds have also agreed to indemnify Computershare against certain liabilities and expenses, including liabilities under the federal securities laws.

As the Meeting date approaches, shareholders may receive a telephone call from a representative of Computershare if their votes have not yet been received. Proxies that are obtained telephonically will be recorded in accordance with the procedures described below. These procedures are designed to ensure that both the identity of the shareholder casting the vote and the voting instructions of the shareholder are accurately determined.

In all cases where a telephonic proxy is solicited, the Computershare representative is required to ask for the shareholder’s full name and address or the zip code. If the shareholder is a corporation or other entity, the Computershare representative is required to ask for the person’s title and confirmation that the person is authorized to direct the voting of the shares. Although the Computershare representative is permitted to answer questions about the process, he or she is not permitted to recommend to the shareholder how to vote, other than to read any recommendation set forth in this Proxy Statement/Prospectus. Computershare will record the shareholder’s instructions on the card. Within 72 hours, the shareholder or its representative will be sent a letter or mailgram to confirm their vote and asking the shareholder or its representative to call Computershare immediately if their instructions are not correctly reflected in the confirmation.

Voting Requirements

Approval of the Agreement requires (1) the affirmative vote of a majority (i.e. more than 50%) of the outstanding Shares of the Target Fund and (2) a vote of the majority of Acquiring Fund Shares cast at the Meeting, provided that a quorum of Acquiring Fund Shares (as described below) is present for the Meeting and that at least 50% of Acquiring Fund Shares outstanding cast votes or abstain.

Quorum; Adjournment; Tabulation

The presence in person or by proxy of holders of a majority of outstanding Shares shall constitute a quorum for each Fund. In the event that a quorum is not present or if sufficient votes are not received consistent with the Board's recommendation on the approval of the Agreement, those present may adjourn the Meeting to such day as they shall, by majority vote, agree upon without further notice other than by announcement at the Meeting. For the Target Fund and the Acquiring Fund, the Meeting may also be adjourned by the chairperson of the Meeting or the chairperson of the Board, respectively. The persons named as proxies will vote those proxies that they are entitled to vote in favor of such an adjournment, provided that they determine that such an adjournment and additional solicitation is reasonable and in the interest of shareholders based on a consideration of all relevant factors, including, among other things, the percentage of votes then cast, the percentage of negative votes then cast, the nature of the proposed solicitation activities and the nature of the reasons for such further solicitation.

Abstentions and broker non-votes, if any, will be treated as votes present at the Meeting and will be included for purposes of determining whether a quorum is present for each Fund at the Meeting. For the Target Fund, abstentions and broker non-votes would have the same effect as a vote "against" the Agreement because the Target Fund's approval of the Agreement requires an affirmative vote of a majority of its outstanding Shares. For the Acquiring Fund, abstentions and broker non-votes would have no effect on the Acquiring Fund's requirement for majority of votes cast at the Meeting to approve the Agreement.

Broker non-votes occur when a proposal that is routine (such as the election of directors) is voted on at a meeting alongside a proposal that is non-routine (such as the proposal discussed herein). Brokers may generally vote in their discretion on routine proposals, but are generally not able to vote on a non-routine proposal such as the one discussed herein in the absence of express voting instructions from beneficial owners. As a result, where both routine and non-routine proposals are voted on at the same meeting, proxies by brokers are considered votes present but cannot vote on non-routine proposals. No routine proposals will be voted on at the Meeting, so the Funds do not anticipate receiving any broker non-votes.

Principal Holders of Voting Securities

Record Date Information

The record date is July 13, 2011 (the "Record Date"). Each shareholder may cast one vote for each full share and a partial vote for each partial share of a Fund that the shareholder owned of record on the Record Date. As of the Record Date, the Acquiring Fund had [_____] Shares outstanding and the Target Fund had [_____] Shares outstanding.

5% Record and Beneficial Owners

According to disclosure publicly filed with the SEC, as of December 31, 2010, several unit investment trusts managed by Advisors Asset Management, Inc. had accumulated 952,402 shares of the Acquiring Fund, which represented 7.341% of the Acquiring Fund's outstanding Shares. According to disclosure publicly filed with the SEC, as of December 31, 2010, accounts managed by First Trust Advisors L.P. and affiliated entities had accumulated 1,327,220 shares of the Acquiring Fund, which represented 10.2% of the Acquiring Fund's outstanding Shares.

Advisors Asset Management, Inc. and First Trust Advisors L.P. have certified that these Shares were not acquired or held for the purpose of or with the effect of changing or influencing the control of the Acquiring Fund. No other accounts held of record 5% or more of the outstanding Shares of a Fund as of such date or [the Record Date]. Management does not otherwise have knowledge of beneficial owners.

Ownership by Officers and Directors

As of the Record Date, Board members and officers of each Fund owned, as a group, less than one percent of each class of each Fund's outstanding voting securities. [to confirm after record date.]

INTEREST OF CERTAIN PERSONS

Other than the interest of the Manager in the investment advisory fees it receives from the Funds and fees received by certain affiliates of the Manager for services provided to the Funds, the Funds are not aware of any material interest, direct or indirect, by security holdings or otherwise, of any affiliated person of the Funds in the proposed Reorganization.

APPENDIX A: FORM OF AGREEMENT AND PLAN OF REORGANIZATION

FORM OF AGREEMENT AND PLAN OF REORGANIZATION

This AGREEMENT AND PLAN OF REORGANIZATION (the “Agreement”), is made as of this [____] day of [____], 2011, by and between Delaware Enhanced Global Dividend and Income Fund (“Acquiring Fund”), a statutory trust created under the laws of the State of Delaware, with its principal place of business at 2005 Market Street, Philadelphia, Pennsylvania 19103, and Delaware Investments Global Dividend and Income Fund, Inc. (“Target Fund”), a corporation created under the laws of the State of Maryland, with its principal place of business also at 2005 Market Street, Philadelphia, Pennsylvania 19103.

PLAN OF REORGANIZATION

The acquisition (hereinafter referred to as the “Reorganization”) will consist of: (i) the acquisition by Acquiring Fund of substantially all of the stated liabilities, property, assets and goodwill of Target Fund in exchange solely for full and fractional shares of shares of beneficial interest, with no par value, of Acquiring Fund (“Acquiring Fund Shares”); (ii) the pro rata distribution of Acquiring Fund Shares to the holders of Target Fund common stock (“Target Fund Shares”), according to their respective interests in complete liquidation of Target Fund; and (iii) the dissolution of Target Fund as soon as practicable after the closing (as referenced in Section 3 hereof, hereinafter called the “Closing”), all upon and subject to the terms and conditions of this Agreement hereinafter set forth.

AGREEMENT

In order to consummate the Reorganization and in consideration of the promises, covenants and agreements hereinafter set forth, and intending to be legally bound, the parties hereto covenant and agree as follows:

1. Sale and Transfer of Assets and Liabilities, Liquidation and Dissolution of Target Fund

(a) Subject to the terms and conditions of this Agreement, and in reliance on the representations and warranties of Acquiring Fund herein contained, and in consideration of the delivery by Acquiring Fund of the number of Acquiring Fund Shares hereinafter provided, Target Fund agrees that it will sell, convey, transfer and deliver to Acquiring Fund at the Closing provided for in Section 3, (i) the liabilities, debts, obligations and duties of Target Fund related to the \$17 million line of credit with The Bank of New York Mellon (“BNYM”) which Target Fund entered into pursuant to a Credit Agreement between Target Fund and BNYM that expires on November 28, 2011, as reflected on Target Fund’s books and records as of the Close of Business on the Valuation Date (“Assumed Liabilities”), and (ii) the then existing assets of Target Fund as of the close of business (which hereinafter shall be, unless otherwise noted, the regular close of business of the New York Stock Exchange (“NYSE”)) (“Close of Business”) on the valuation date (as defined in Section 3 hereof, hereinafter called the “Valuation Date”). Such

transfer shall be free and clear of all liens, encumbrances, and claims whatsoever, other than (x) such restrictions as might arise under the Securities Act of 1933, as amended (the "1933 Act") with respect to privately placed or otherwise restricted securities that Target Fund may have acquired in the ordinary course of business), (y) liens, claims and encumbrances related to the Assumed Liabilities, and (z) cash, bank deposits, or cash equivalent securities in an estimated amount necessary (1) to pay Target Fund's costs and expenses of carrying out this Agreement (including, but not limited to, fees of counsel and accountants, and expenses of its liquidation and dissolution contemplated hereunder), which costs and expenses shall be established on the books of Target Fund as liability reserves, (2) to discharge all of the liabilities, debts, obligations and duties of Target Fund as reflected on its books at the Close of Business on the Valuation Date (other than the Assumed Liabilities) (hereinafter, "Liabilities") including, but not limited to, its income dividends and capital gains distributions, if any, payable for any period prior to, and through, the Close of Business on the Valuation Date and excluding those liabilities and obligations that would otherwise be discharged at a later date in the ordinary course of business, and (3) to pay any contingent liabilities as the directors of Target Fund shall reasonably deem to exist against Target Fund at the Close of Business on the Valuation Date, for which contingent and other appropriate liability reserves shall be established on the books of Target Fund (Target Fund's assets less such amounts hereinafter referred to as Target Fund's "Net Assets"). Target Fund shall also retain any and all rights that it may have over and against any person that may have accrued up to and including the Close of Business on the Valuation Date. Target Fund agrees to use commercially reasonable efforts to identify all of Target Fund's Liabilities prior to the Valuation Date and to discharge all such known Liabilities on or prior to the Valuation Date. In no event will Acquiring Fund assume or otherwise be responsible for any Liabilities of Target Fund.

(b) Subject to the terms and conditions of this Agreement, and in reliance on the representations and warranties of Target Fund herein contained, and in consideration of such sale, conveyance, transfer, and delivery, Acquiring Fund agrees at the Closing to deliver to Target Fund the number of Acquiring Fund Shares determined by: (A) dividing the net asset value per share of Target Fund Shares as of Close of Business on the Valuation Date by (B) the net asset value per share of Acquiring Fund Shares as of Close of Business on the Valuation Date, and (C) multiplying the result by the number of outstanding Target Fund Shares as of Close of Business on the Valuation Date. All such values shall be determined in the manner and as of the time set forth in Section 2 hereof.

(c) As soon as practicable following the Closing, Target Fund shall dissolve and distribute pro rata to Target Fund's shareholders of record as of the Close of Business on the Valuation Date the Acquiring Fund Shares received by Target Fund pursuant to this Section, and all outstanding Target Fund Shares shall at that time be cancelled and considered no longer outstanding. Such distribution shall be accomplished by the establishment of accounts on the share records of Acquiring Fund of the type and in the amounts due such shareholders pursuant to this Section 1 based on their respective holdings of Target Fund Shares as of the Close of Business on the Valuation Date. Fractional shares of beneficial interest of Acquiring Fund shall be carried to the third decimal place. No certificates representing shares of beneficial interest of Acquiring Fund will be issued to shareholders of Target Fund shares irrespective of whether such shareholders hold their Target Fund Shares in certificated form.

(d) At the Closing, each outstanding certificate that prior to the Closing represented Target Fund Shares shall be cancelled and shall no longer evidence ownership thereof.

(e) At the Closing, each holder of record of Target Fund Shares as of the record date shall have the right to receive any unpaid dividends and other distributions that were declared prior to the Closing, including any dividend or distribution declared pursuant to Section 9(e) hereof.

2.

Valuation

(a) The value of Target Fund's Net Assets to be acquired by Acquiring Fund hereunder shall be computed as of the Close of Business on the Valuation Date in a manner consistent with the valuation procedures described in Target Fund's registration statement on Form N-2 dated February 25, 1994, as such disclosures have been amended to date by any (i) amendments to Target Fund's registration statement filed with the U.S. Securities and Exchange Commission (the "SEC"); (ii) press releases issued on behalf of Target Fund; and (iii) annual or semi-annual reports of Target Fund sent to shareholders pursuant to Section 30 of the Investment Company Act of 1940, as amended (the "1940 Act") (such documents together, the "Target Fund Disclosure Documents").

(b) The value of Acquiring Fund's Net Assets shall be computed as of the Close of Business on the Valuation Date in a manner consistent with the valuation procedures described in Acquiring Fund's registration statement on Form N-2 dated June 26, 2007, as such disclosures have been amended to date by any: (i) amendments to Acquiring Fund's registration statement filed with the SEC; (ii) press releases issued on behalf of Acquiring Fund; and (iii) annual or semi-annual reports of Acquiring Fund sent to shareholders pursuant to Section 30 of the 1940 Act (together, the "Acquiring Fund Disclosure Documents").

(c) The net asset value per Target Fund Share shall be determined to the third decimal place as of the Close of Business on the Valuation Date in a manner consistent with the valuation procedures described in the Target Fund Disclosure Documents.

(d) The net asset value per Acquiring Fund Share shall be determined to the third decimal place as of the Close of Business on the Valuation Date in a manner consistent with the valuation procedures described in the Acquiring Fund Disclosure Documents.

3. Closing and Valuation Date

The Valuation Date shall be [____], 2011, or such other date as the parties may mutually agree. The Closing shall take place at the principal office of Acquiring Fund, 2005 Market Street, Philadelphia, Pennsylvania 19103 at approximately 5:00 p.m., Eastern Time, on the Valuation Date. Notwithstanding anything herein to the contrary, in the event that on the Valuation Date (a) the NYSE shall be closed to trading or trading thereon shall be restricted or (b) trading or the reporting of trading on such exchange or elsewhere shall be disrupted so that, in the judgment of either Fund, accurate appraisal of the value of the net assets of either Fund is

impracticable, the Valuation Date shall be postponed until the first business day after the day when trading shall have been fully resumed without restriction or disruption, reporting shall have been restored and accurate appraisal of the value of the net assets of each Fund is practicable in the judgment of both Funds. Target Fund shall have provided for delivery as of the Closing of its then-current Net Assets to Acquiring Fund's Custodian, The Bank of New York Mellon, One Wall Street, New York, NY 10286. Target Fund shall deliver at the Closing a list (which may be in electronic form) of names and addresses of the holders of record of Target Fund Shares, and the number of full and fractional Target Fund Shares owned by each such holder, indicating thereon which such Target Fund Shares are represented by outstanding certificates and which by book-entry accounts, all as of the Close of Business on the Valuation Date, certified by its transfer agent or by its President or Vice-President to the best of their knowledge and belief. Acquiring Fund shall provide evidence satisfactory to Target Fund in such manner as Target Fund may reasonably request that such shares of beneficial interest of Acquiring Fund have been registered in an open account on the books of Acquiring Fund.

4. Representations and Warranties by Target Fund

Target Fund represents and warrants to Acquiring Fund that:

- (a) Target Fund is a corporation created under the laws of the State of Maryland on September 22, 1993, and is validly existing and in good standing under the laws of that State. Target Fund is duly registered under the 1940 Act as a closed-end management investment company. Such registration is in full force and effect as of the date hereof and will be in full force and effect as of the Closing.
- (b) Target Fund is authorized to issue up to 500,000,000 shares of common stock, with par value of \$0.01 per share. Each outstanding Target Fund Share is validly issued, fully paid, non-assessable and has full voting rights.
- (c) The financial statements appearing in Target Fund's Annual Report to Shareholders for the fiscal year ended November 30, 2010, audited by PricewaterhouseCoopers, LLP, copies of which have been delivered to Acquiring Fund, and any unaudited financial statements since that date, copies of which may be furnished to Acquiring Fund, fairly present the financial position of Target Fund as of the date indicated, and the results of its operations for the period indicated, in conformity with generally accepted accounting principles applied on a consistent basis.
- (d) The books and records of Target Fund, including FIN 48 work papers and supporting statements, made available to Acquiring Fund and/or its counsel are true and correct in all material respects and contain no material omissions with respect to the business and operations of Target Fund.
- (e) The statement of assets and liabilities to be furnished by Target Fund as of the Close of Business on the Valuation Date for the purpose of determining the number of shares of beneficial interest of Acquiring Fund to be issued pursuant to Section 1 hereof will accurately

reflect the Net Assets of Target Fund and outstanding shares of beneficial interest, as of such date, in conformity with generally accepted accounting principles applied on a consistent basis.

(f) At the Closing, Target Fund will have good and marketable title to all of the securities and other assets shown on the statement of assets and liabilities referred to in subsection (e) above, free and clear of all liens or encumbrances of any nature whatsoever except (i) liens, claims and encumbrances related to the Liabilities; (ii) such restrictions as might arise under the 1933 Act with respect to privately placed or otherwise restricted securities that Target Fund may have acquired in the ordinary course of business; and (iii) such imperfections of title or encumbrances as do not materially detract from the value or use of the assets subject thereto, or materially affect title thereto.

(g) Target Fund has the necessary corporate power and corporate authority to conduct its business as such business is now being conducted.

(h) Target Fund is not a party to or obligated under any provision of its Articles of Incorporation, By-Laws, or any material contract or any other material commitment or obligation, and is not subject to any order or decree, that would be violated by its execution of or performance under this Agreement.

(i) Target Fund has full corporate power and corporate authority to enter into and perform its obligations under this Agreement, subject to approval of this Agreement by Target Fund's shareholders. Except as provided in the immediately preceding sentence, the execution, delivery and performance of this Agreement have been validly authorized, and this Agreement constitutes a legal, valid and binding obligation enforceable against Target Fund in accordance with its terms, subject as to enforcement to the effects of bankruptcy, insolvency, reorganization, arrangement among creditors, moratorium, fraudulent transfer or conveyance, other similar laws of general applicability relating to or affecting creditor's rights, and to general equity principles.

(j) Target Fund is not under the jurisdiction of a court in a Title 11 or similar case within the meaning of Section 368(a)(3)(A) of the Internal Revenue Code of 1986, as amended (the "Code").

(k) Target Fund does not have any unamortized or unpaid organizational fees or expenses. There is no inter-corporate indebtedness existing between Target Fund and Acquiring Fund that was issued, acquired, or will be settled at a discount.

(l) Target Fund has elected to be treated as a regulated investment company ("RIC") for federal income tax purposes under Part I of Subchapter M of the Code. Target Fund is a "fund" as defined in Section 851(g)(2) of the Code, has qualified as a RIC for each taxable year since its inception and will qualify as a RIC as of the Closing, has no earnings and profits accumulated in any taxable year to which the provisions of Subchapter M of the Code (or the corresponding provisions of prior law) did not apply, and consummation of the Reorganization will not cause it to fail to be qualified as a RIC as of the Closing.

(m) Target Fund will declare on or prior to the Valuation Date, a dividend or dividends that, together with all previous such dividends, shall have the effect of distributing to its shareholders (i) all of Target Fund's investment company taxable income for the taxable year ended prior to the Closing Date and substantially all of such investment company taxable income for the final taxable year ending with its complete liquidation (in each case determined without regard to any deductions for dividends paid); (ii) all of Target Fund's net capital gain recognized in its taxable year ended prior to the Closing Date and substantially all of any such net capital gain recognized in such final taxable year (in each case after reduction for any capital loss carryover); and (iii) at least 90 percent of the excess, if any, of the Target Fund's interest income excludible from gross income under Section 103(a) of the Code over its deductions disallowed under Sections 265 and 171(a)(2) of the Code for the taxable year prior to the Closing Date and at least 90 percent of such net tax-exempt income for such final taxable year.

5. Representations and Warranties by Acquiring Fund

Acquiring Fund represents and warrants to Target Fund that:

(a) Acquiring Fund is a trust created under the laws of the State of Delaware on April 12, 2007, and is validly existing and in good standing under the laws of that State. Acquiring Fund is duly registered under the 1940 Act as a closed-end, management investment company. Such registration is in full force and effect as of the date hereof and will be in full force and effect as of the Closing.

(b) Acquiring Fund is authorized to issue an unlimited number of Acquiring Fund Shares, without par value. Each outstanding share of Acquiring Fund is fully paid, non-assessable and has full voting rights. The Acquiring Fund Shares to be issued pursuant to Section 1 hereof will, upon their issuance, be validly issued and fully paid and non-assessable and have full voting rights. Acquiring Fund shall as of the Closing have made all filings, including listing applications, and obtained any consents required from the NYSE to issue and list for trading the Acquiring Fund Shares to be issued pursuant to Section 1 hereof.

(c) At the Closing, the Acquiring Fund Shares to be issued pursuant to this Agreement will be eligible for offering to the public in those states of the United States and jurisdictions in which the Target Fund Shares are presently eligible for offering to the public. There are a sufficient number of Acquiring Fund Shares registered under the 1933 Act so as to complete the exchange contemplated by this Agreement.

(d) The financial statements appearing in Acquiring Fund's Annual Report to Shareholders for the fiscal year ended November 30, 2010, audited by PricewaterhouseCoopers, LLP, copies of which have been delivered to Target Fund, and any unaudited financial statements since that date, copies of which may be furnished to Acquiring Fund, fairly present the financial position of Target Fund as of the date indicated, and the results of its operations for the period indicated, in conformity with generally accepted accounting principles applied on a consistent basis.

(e) The statement of assets and liabilities of Acquiring Fund to be furnished by Acquiring Fund as of the Close of Business on the Valuation Date for the purpose of determining the number of shares of beneficial interest of Acquiring Fund to be issued pursuant to Section 1 hereof will accurately reflect the net assets of Acquiring Fund and outstanding shares of beneficial interest, as of such date, in conformity with generally accepted accounting principles applied on a consistent basis.

(f) At the Closing, Acquiring Fund will have good and marketable title to all of the securities and other assets shown on the statement of assets and liabilities referred to in subsection (d) above, free and clear of all liens or encumbrances of any nature whatsoever except (i) liens, claims and encumbrances related to the Liabilities; (ii) such restrictions as might arise under the 1933 Act with respect to privately placed or otherwise restricted securities that Acquiring Fund may have acquired in the ordinary course of business; and (iii) such imperfections of title or encumbrances as do not materially detract from the value or use of the assets subject thereto, or materially affect title thereto.

(g) Acquiring Fund has the necessary trust power and trust authority to conduct its business as such business is now being conducted.

(h) Acquiring Fund is not a party to or obligated under any provision of its Agreement and Declaration of Trust, By-Laws, or any material contract or any other material commitment or obligation, and is not subject to any order or decree, that would be violated by its execution of or performance under this Agreement.

(i) Acquiring Fund has full trust power and trust authority to enter into and perform its obligations under this Agreement, subject to approval by Acquiring Fund's shareholders of the issuance of common shares by Acquiring Fund to Target Fund's shareholders pursuant to the terms of this Agreement. Except as provided in the immediately preceding sentence, the execution, delivery and performance of this Agreement have been validly authorized, and this Agreement constitutes its legal, valid and binding obligation enforceable against it in accordance with its terms, subject, as to enforcement, to the effect of bankruptcy, insolvency reorganization, arrangements among creditors, moratorium, fraudulent transfer or conveyance, and other similar laws of general applicability relating to or affecting creditor's rights and to general equity principles.

(j) Acquiring Fund is not under the jurisdiction of a court in a Title 11 or similar case within the meaning of Section 368(a)(3)(A) of the Code.

(k) The books and records of Acquiring Fund, including FIN 48 work papers and supporting statements, made available to Target Fund and/or its counsel are true and correct in all material respects and contain no material omissions with respect to the business and operations of Acquiring Fund.

(l) Acquiring Fund has elected to treat itself as a RIC for federal income tax purposes under Part I of Subchapter M of the Code. Acquiring Fund is a "fund" as defined in Section 851(g)(2) of the Code, has qualified as a RIC for each taxable year since its inception,

and will qualify as a RIC as of the Closing, has no earnings and profits accumulated in any taxable year to which the provisions of Subchapter M of the Code (or the corresponding provisions of prior law) did not apply, and consummation of the Reorganization will not cause it to fail to be qualified as a RIC as of the Closing.

6. Representations and Warranties by Target Fund and Acquiring Fund

Each Fund represents and warrants to the other that:

- (a) There are no legal, administrative or other proceedings or investigations against it, or, to its knowledge, threatened against it, that would materially affect its financial condition or its ability to consummate the Reorganization. It is not charged with or, to its knowledge, threatened with, any violation or investigation of any possible violation of any provisions of any federal, state or local law or regulation or administrative ruling relating to any aspect of its business.
- (b) There are no known actual or proposed deficiency assessments with respect to any taxes payable by it.
- (c) It has duly and timely filed all Tax (as defined below) returns and reports (including information returns), which are required to be filed by such Fund, and all such returns and reports accurately state the amount of Tax owed for the periods covered by the returns, or, in the case of information returns, the amount and character of income required to be reported by such Fund. The Fund has paid or made provision and properly accounted for all Taxes (as defined below) due or properly shown to be due on such returns and reports. The amounts set up as provisions for Taxes in the books and records of the Fund as of the Close of Business on the Valuation Date will, to the extent required by generally accepted accounting principles, be sufficient for the payment of all Taxes of any kind, whether accrued, due, absolute, contingent or otherwise, which were or which may be payable by the Fund, as appropriate, for any periods or fiscal years prior to and including the Close of Business on the Valuation Date, including all Taxes imposed before or after the Close of Business on the Valuation Date that are attributable to any such period or fiscal year. No return filed by the Fund is currently being audited by the Internal Revenue Service or by any state or local taxing authority. As used in this Agreement, "Tax" or "Taxes" means all federal, state, local and foreign (whether imposed by a country or political subdivision or authority thereunder) income, gross receipts, excise, sales, use, value added, employment, franchise, profits, property, ad valorem or other taxes, stamp taxes and duties, fees, assessments or charges, whether payable directly or by withholding, together with any interest and any penalties, additions to tax or additional amounts imposed by any taxing authority (foreign or domestic) with respect thereto. To its knowledge, there are no levies, liens or encumbrances relating to Taxes existing, threatened or pending with respect to the assets of the Fund.
- (d) All information provided by the Fund for inclusion in, or transmittal with, the Form N-14 filing contemplated by this Agreement shall not contain any untrue statement of a material fact, or omit to state a material fact required to be stated therein in order to make the

statements made therein, in light of the circumstances under which they were made, not misleading.

(e) Except in the case of the shareholder approval required by each Fund to complete the Reorganization, no consent, approval, authorization or order of any court or governmental authority, or of any other person or entity, is required for the consummation of the Reorganization, except as may be required by the 1933 Act, the Securities Exchange Act of 1934, as amended (the “1934 Act”), the 1940 Act, the rules of the NYSE, state securities laws, Maryland corporate law, or Delaware trust laws, including, in the case of each of the foregoing, the rules and regulations thereunder.

7. Covenants of Target Fund

(a) Target Fund covenants to operate the business of Target Fund as presently conducted between the date hereof and the Closing.

(b) Target Fund undertakes that Target Fund will not acquire the Acquiring Fund Shares for the purpose of making distributions thereof other than to Target Fund’s shareholders.

(c) Target Fund covenants that as of the Closing, all of Target Fund’s federal and other Tax returns and reports required by law to be filed on or before such date shall have been filed and all federal and other Taxes shown as due on said returns either shall have been paid or adequate liability reserves shall have been provided for the payment of such Taxes.

(d) If reasonably requested in writing by the Acquiring Fund, Target Fund will at the Closing provide Acquiring Fund with:

(1) A statement of the respective tax basis and holding period of all investments to be transferred by Target Fund to Acquiring Fund.

(2) A copy (which may be in electronic form) of the shareholder ledger accounts including, without limitation, the name, address and taxpayer identification number of each shareholder of record, the number of shares of beneficial interest held by each shareholder, the dividend reinvestment elections applicable to each shareholder, and the backup withholding and nonresident alien withholding certifications, notices or records on file with Target Fund with respect to each shareholder, for all of the shareholders of record of Target Fund as of the Close of Business on the Valuation Date, who are to become holders of Acquiring Fund Shares as a result of the Reorganization, certified by its transfer agent or its President or its Vice-President to the best of their knowledge and belief.

(3) All FIN 48 work papers and supporting statements pertaining to Target Fund.

(e) Prior to the Closing, the Board of Directors of Target Fund shall have called, and Target Fund shall have held, a meeting of Target Fund's shareholders to consider and vote upon this Agreement and Target Fund shall take all other actions reasonably necessary to obtain shareholder approval of the Reorganization. Target Fund agrees to mail to each shareholder of record entitled to vote at such meeting, in sufficient time to comply with requirements as to notice thereof, a Combined Proxy Statement and Prospectus that complies in all material respects with the applicable provisions of Section 14(a) of the 1934 Act and Section 20(a) of the 1940 Act, and the rules and regulations promulgated thereunder.

(f) Target Fund shall supply to Acquiring Fund, at the Closing, the statement of the assets and liabilities described in Section 4(e) of this Agreement in conformity with the requirements described in such Section.

(g) As promptly as practicable, but in any case within sixty days after the date of Closing, Target Fund shall furnish Acquiring Fund, in such form as is reasonably satisfactory to Acquiring Fund, a statement of the earnings and profits of Target Fund for federal income tax purposes that will be carried over by Acquiring Fund as a result of Section 381 of the Code, and which shall have been certified by Target Fund's Treasurer.

(h) Target Fund undertakes that, after the Reorganization is consummated, it will dissolve its corporate existence, file an application pursuant to Section 8(f) of the 1940 Act for an order declaring that it has ceased to be an investment company and take the necessary actions, including making the necessary filings, to withdraw its shares from listing on those stock exchanges on which the Target Fund Shares are listed as of the Closing Date.

(i) As soon as is reasonably practicable after the Closing, Target Fund will make one or more liquidating distributions to its shareholders consisting of the Acquiring Fund Shares received at the Closing, as set forth in Section 1(c) hereof.

8. Covenants of Acquiring Fund

(a) Acquiring Fund covenants that the shares of beneficial interest of Acquiring Fund to be issued and delivered to Target Fund pursuant to the terms of Section 1 hereof shall have been duly authorized as of the Closing and, when so issued and delivered, shall be registered under the 1933 Act, validly issued, and fully paid and non-assessable, and no shareholder of Acquiring Fund shall have any statutory or contractual preemptive right of subscription or purchase in respect thereof, other than any rights created pursuant to this Agreement.

(b) Acquiring Fund covenants to operate the business of Acquiring Fund as presently conducted between the date hereof and the Closing.

(c) Acquiring Fund covenants that by the Closing, all of Acquiring Fund's federal and other Tax returns and reports required by law to be filed on or before such date shall

have been filed and all federal and other Taxes shown as due on said returns shall have either been paid or adequate liability reserves shall have been provided for the payment of such Taxes.

(d) Acquiring Fund shall at the Closing supply to Target Fund the statement of assets and liabilities described in Section 5(d) of this Agreement in conformity with the requirements described in such Section.

(e) Acquiring Fund shall prior to the Closing have filed with the SEC a Registration Statement on Form N-14 under the 1933 Act ("Registration Statement"), relating to the Acquiring Fund Shares to be issued pursuant hereto, and shall have used its best efforts to provide that such Registration Statement becomes effective as promptly as practicable. At the time such Registration Statement shall become effective, it (i) shall have complied in all material respects with the applicable provisions of the 1933 Act, the 1934 Act and the 1940 Act, and the rules and regulations promulgated thereunder; and (ii) shall not have contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading. At the time the Registration Statement becomes effective, at the time of Target Fund's shareholders' meeting, and at the Closing, the prospectus and statement of additional information included in the Registration Statement shall not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(f) The Board of Trustees of Acquiring Fund shall call, and Acquiring Fund shall prior to the Closing have held, a special meeting of Acquiring Fund's shareholders to consider and vote upon the issuance of common shares in connection with this Agreement, and Acquiring Fund shall take all other actions reasonably necessary to obtain approval of the Reorganization. Acquiring Fund agrees to mail to each shareholder of record entitled to vote at such meeting, in sufficient time to comply with requirements as to notice thereof, a proxy statement that complies in all material respects with the applicable provisions of Section 14(a) of the 1934 Act and Section 20(a) of the 1940 Act, and the rules and regulations promulgated thereunder.

9. Conditions Precedent to be Fulfilled by Target Fund and Acquiring Fund

The obligations of Target Fund and Acquiring Fund to effectuate this Agreement hereunder shall be subject to the following respective conditions:

(a) That (1) all the representations and warranties of the other party contained herein shall be true and correct in all material respects as of the Closing with the same effect as though made as of and at such date; (2) the other party shall have performed all obligations required by this Agreement to be performed by it at or prior to the Closing; and (3) the other party shall have delivered to such party a certificate signed by the President or Vice-President and by the Secretary or equivalent officer to the foregoing effect.

(b) That the other party shall have delivered to such party a copy of the resolutions approving this Agreement adopted by the other party's Board of Trustees or Directors, certified by the Secretary or equivalent officer.

(c) That the SEC shall not have issued an unfavorable advisory report under Section 25(b) of the 1940 Act, nor instituted nor threatened to institute any proceeding seeking to enjoin the consummation of the Reorganization under Section 25(c) of the 1940 Act, and no other legal, administrative or other proceeding shall be instituted or threatened that would materially and adversely affect the financial condition of either party or that would prohibit the Reorganization.

(d) That this Agreement and the Reorganization, including for Acquiring Fund the issuance and listing of additional Acquiring Fund Shares, shall have been approved by any required or appropriate action of the shareholders of each Fund in accordance with its organizational documents and applicable law and self-regulatory organization rules.

(e) That Target Fund shall have declared a dividend or dividends on or prior to the Valuation Date that, together with all previous distributions, shall have the effect of distributing to its shareholders (i) all of Target Fund's investment company taxable income for the taxable year ended prior to the Closing Date and substantially all of such investment company taxable income for the final taxable year ending with its complete liquidation (in each case determined without regard to any deductions for dividends paid); (ii) all of Target Fund's net capital gain recognized in its taxable year ended prior to the Closing Date and substantially all of any such net capital gain recognized in such final taxable year (in each case after reduction for any capital loss carryover); and (iii) at least 90 percent of the excess, if any, of the Target Fund's interest income excludible from gross income under Section 103(a) of the Code over its deductions disallowed under Sections 265 and 171(a)(2) of the Code for the taxable year prior to the Closing Date and at least 90 percent of such net tax-exempt income for such final taxable year.

(f) That all required consents of other parties and all other consents, orders and permits of federal, state and local authorities (including those of the SEC, NYSE and state Blue Sky securities authorities, including any necessary "no-action" positions or exemptive orders from such authorities) to permit consummation of the transaction contemplated hereby shall have been obtained, except where failure to obtain any such consent, order or permit would not involve risk of material adverse effect on the assets and properties of a Fund.

(g) That prior to or at the Closing, each Fund shall receive an opinion from Stradley Ronon Stevens & Young, LLP ("SRSY") to the effect that, provided the Reorganization is carried out in accordance with the applicable laws of the State of Maryland and State of Delaware, this Agreement and in accordance with customary representations provided by Target Fund and Acquiring Fund with regard to matters of fact in certificates delivered to SRSY:

1. The acquisition by the Acquiring Fund of substantially all of the assets of the Target Fund in exchange solely for Acquiring Fund Shares, and the assumption by Acquiring Fund of certain of the liabilities of the Target Fund,

followed by the distribution by the Target Fund to its shareholders of the Acquiring Fund Shares in complete liquidation of the Target Fund, will qualify as a reorganization within the meaning of Section 368(a)(1) of the Code, and the Acquiring Fund and Target Fund will each be a “party to the reorganization” within the meaning of Section 368(b) of the Code;

2. No gain or loss will be recognized by the Target Fund upon the transfer of substantially all of its assets to, and assumption of certain of its liabilities by, the Acquiring Fund in exchange solely for Acquiring Fund Shares under Section 361(a) and Section 357(a) of the Code, except that the Target Fund may be required to recognize gain or loss with respect to contracts described in Section 1256(b) of the Code or stock in a passive foreign investment company, as defined in Section 1297(a) of the Code;

3. No gain or loss will be recognized by the Acquiring Fund upon the receipt by it of substantially all of the assets of the Target Fund in exchange solely for Acquiring Fund Shares and the assumption of certain of the liabilities of Target Fund under Section 1032(a) of the Code;

4. No gain or loss will be recognized by the Target Fund upon the distribution of the Acquiring Fund Shares to the Target Fund shareholders in liquidation of the Target Fund under Section 361(c)(1) of the Code;

5. The tax basis of the assets of the Target Fund received by the Acquiring Fund will be the same as the tax basis of such assets to the Target Fund immediately prior to the exchange under Section 362(b) of the Code;

6. The holding period of the assets of the Target Fund received by the Acquiring Fund will include the period during which such assets were held by the Target Fund under Section 1223(2) of the Code;

7. No gain or loss will be recognized by the shareholders of the Target Fund upon the exchange of their Target Fund Shares for Acquiring Fund Shares (including fractional shares to which they may be entitled) under Section 354(a) of the Code;

8. The aggregate tax basis of the Acquiring Fund Shares received by the Target Fund shareholders (including fractional shares to which they may be entitled) will be the same as the aggregate tax basis of the Target Fund Shares exchanged therefor under Section 358(a)(1) of the Code;

9. The holding period of the Acquiring Fund Shares received by the Target Fund’s shareholders (including fractional shares to which they may be entitled) will include the holding period of the Target Fund Shares surrendered in exchange therefor, provided that the Target Fund Shares were held as a capital asset on the date of the Reorganization under Section 1223(1) of the Code; and

10. The Acquiring Fund will succeed to and take into account as of the date of the transfer (as defined in Section 1.381(b)-1(b) of the regulations issued by the United States Department of the Treasury (the “Treasury Regulations”)) the items of the Target Fund described in Section 381(c) of the Code, subject to the conditions and limitations specified in Sections 381, 382, 383 and 384 of the Code, and the Treasury Regulations.

Such opinion shall contain such limitations as shall be in the opinion of Stradley Ronon appropriate to render the opinions expressed therein. Notwithstanding anything herein to the contrary, neither Acquiring Fund nor Target Fund may waive the conditions set forth in this paragraph 9(g).

(h) That Acquiring Fund shall have received an opinion in form and substance reasonably satisfactory to it from SRSY, counsel to Target Fund, to the effect that, subject in all respects to the effects of bankruptcy, insolvency, arrangement among creditors, moratorium, fraudulent transfer or conveyance, and other similar laws of general applicability relating to or affecting creditor’s rights and to general equity principles:

(1) Target Fund is in good standing under the laws of the State of Maryland;

(2) Target Fund is a closed-end investment company of the management type registered as such under the 1940 Act;

(3) Such counsel does not know of any material suit, action, or legal or administrative proceeding pending or threatened against Target Fund, the unfavorable outcome of which would materially and adversely affect Target Fund;

(4) To such counsel’s knowledge, no consent, approval, authorization or order of any court, governmental authority or agency is required for the consummation by Target Fund of the Reorganization, except such as have been obtained under the 1933 Act, the 1934 Act, the 1940 Act, and Maryland laws (including, in the case of each of the foregoing, the rules and regulations thereunder) and such as may be required under state securities laws;

(5) Neither the execution, delivery nor performance of this Agreement by Target Fund violates any provision of its Articles of Incorporation, its By-Laws, or the provisions of any agreement or other instrument known to such counsel to which Target Fund is a party or by which Target Fund is otherwise bound; and

(6) This Agreement has been validly authorized and executed by Target Fund and represents the legal, valid and binding obligation of Target Fund and is enforceable against Target Fund in accordance with its terms.

In giving the opinions set forth above, SRSY may state that it is relying on certificates of the officers of Target Fund with regard to matters of fact and certain certifications and written statements of governmental officials with respect to the good standing of Target Fund.

(i) That Target Fund shall have received an opinion in form and substance reasonably satisfactory to it from SRSY, counsel to Acquiring Fund, to the effect that, subject in all respects to the effects of bankruptcy, insolvency, arrangement among creditors, moratorium, fraudulent transfer or conveyance, and other similar laws of general applicability relating to or affecting creditor's rights and to general equity principles:

(1) Acquiring Fund is in good standing under the laws of the State of Delaware;

(2) Acquiring Fund is a closed-end investment company of the management type registered as such under the 1940 Act;

(3) Such counsel does not know of any material suit, action, or legal or administrative proceeding pending or threatened against Acquiring Fund, the unfavorable outcome of which would materially and adversely affect Acquiring Fund;

(4) The shares of beneficial interest of Acquiring Fund to be issued pursuant to the terms of Section 1 hereof, when issued and delivered as provided in this Agreement, will have been validly issued and fully paid and will be non-assessable by Acquiring Fund, and to such counsel's knowledge, no shareholder has any preemptive right to subscription or purchase in respect thereof other than any rights that may be deemed to have been granted pursuant to this Agreement;

(5) To such counsel's knowledge, no consent, approval, authorization or order of any court, governmental authority or agency is required for the consummation by Acquiring Fund of the Reorganization, except such as have been obtained under the 1933 Act, the 1934 Act, the 1940 Act, and the laws of the State of Delaware (including, in the case of each of the foregoing, the rules and regulations thereunder) and such as may be required under state securities laws;

(6) Neither the execution, delivery nor performance of this Agreement by Acquiring Fund violates any provision of its Agreement and Declaration of Trust, its By-Laws, or the provisions of any agreement or other instrument known to such counsel to which Acquiring Fund is a party or by which Acquiring Fund is otherwise bound; and

(7) This Agreement has been validly authorized and executed by Acquiring Fund and represents the legal, valid and binding obligation of Acquiring Fund and is enforceable against Acquiring Fund in accordance with its terms.

In giving the opinions set forth above, SRSY may rely on certificates of the officers of Acquiring Fund with regard to matters of fact and certain certifications and written statements of governmental officials with respect to the good standing of Acquiring Fund.

(j) That Acquiring Fund's Registration Statement with respect to the shares of beneficial interest of Acquiring Fund to be delivered to Target Fund's shareholders in accordance with Section 1 hereof shall be effective, and no stop order suspending the effectiveness of the Registration Statement or any amendment or supplement thereto, shall have been issued prior to the Closing or shall be in effect at the Closing, and no proceedings for the issuance of such an order shall be pending or threatened on that date.

(k) That the shares of beneficial interest of Acquiring Fund to be delivered in accordance with Section 1 hereof shall be eligible for sale by Acquiring Fund with each state commission or agency with which such eligibility is required in order to permit the shares lawfully to be delivered to each Target Fund shareholder.

(l) That at the Closing, Target Fund transfers to Acquiring Fund aggregate Net Assets of Target Fund comprising at least 90% in fair market value of the total net assets and 70% in fair market value of the total gross assets recorded on the books of Target Fund at the Close of Business on the Valuation Date.

10. Fees and Expenses The expenses of entering into and carrying out the provisions of this Agreement, whether or not consummated, shall be borne 40% by Acquiring Fund, 35% by Target Fund, and 25% by Delaware Management Company, a series of Delaware Management Business Trust.

11.

Termination; Waiver; Order

(a) Anything contained in this Agreement to the contrary notwithstanding, this Agreement may be terminated and the Reorganization abandoned at any time (whether before or after shareholder approval thereof) by the mutual consent of both Funds or by either Fund if any condition precedent to its obligations set forth in Section 9 has not been fulfilled or waived.

(b) If the Reorganization has not been consummated by May 31, 2012, this Agreement shall automatically terminate on that date, unless a later date is agreed to by both Funds.

(c) In the event of termination of this Agreement pursuant to the provisions hereof, the Agreement shall become void and have no further effect, and there shall not be any liability on the part of either Fund or persons who are their trustees, officers, agents or shareholders in respect of this Agreement.

(d) At any time prior to the Closing, any of the terms or conditions of this Agreement may be waived by whichever Fund is entitled to the benefit thereof.

(e) The respective representations, warranties and covenants contained in Sections 4 through 8 hereof shall expire with, and be terminated by, the consummation of the Reorganization, and neither Target Fund nor Acquiring Fund, nor any of their officers, trustees, agents or shareholders shall have any liability with respect to such representations or warranties after the Closing. This provision shall not protect any officer, trustee, agent or shareholder of Target Fund or Acquiring Fund against any liability to the entity for which that officer, trustee, agent or shareholder so acts or to its shareholders to which that officer, trustee, agent or shareholder would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties in the conduct of such office.

(f) If any order or orders of the SEC with respect to this Agreement shall be issued prior to the Closing which shall impose any terms or conditions that are determined by action of the Board of Directors of Target Fund and the Board of Trustees of Acquiring Fund to be acceptable, such terms and conditions shall be binding as if a part of this Agreement without further vote or approval of the shareholders of either Fund, unless such further vote is required by applicable law or by mutual consent of the parties.

12. Liability of Acquiring Fund and Target Fund

(a) Each party acknowledges and agrees that all obligations of Acquiring Fund under this Agreement are binding only with respect to Acquiring Fund; that any liability of Acquiring Fund under this Agreement or in connection with the Reorganization shall be discharged only out of the assets of Acquiring Fund; and that Target Fund shall not seek satisfaction of any such obligation or liability from the shareholders, trustees, officers, employees or agents of Acquiring Fund, or any of them.

(b) Each party acknowledges and agrees that all obligations of Target Fund under this Agreement are binding only with respect to Target Fund; that any liability of Target Fund under this Agreement or in connection with the Reorganization shall be discharged only out of the assets of Target Fund; and that Acquiring Fund shall not seek satisfaction of any such obligation or liability from the shareholders, trustees, officers, employees or agents of Target Fund, or any of them.

13. Final Tax Returns and Forms 1099 of Target Fund

(a) After the Closing, Target Fund shall or shall cause its agents to prepare any federal, state or local Tax returns, including any Forms 1099, required to be filed by Target Fund with respect to Target Fund's final taxable year ending with its complete liquidation and for any prior periods or taxable years and shall further cause such Tax returns and Forms 1099 to be duly filed with the appropriate taxing authorities.

(b) Notwithstanding the provisions of Section 1 hereof, any expenses incurred by Target Fund (other than for payment of Taxes) in connection with the preparation and filing of said Tax returns and Forms 1099 after the Closing shall be borne by Target Fund to the extent such expenses have been or should have been accrued by Target Fund in the ordinary course without regard to the Reorganization contemplated by this Agreement; any excess expenses shall

be borne by Delaware Management Company, a series of Delaware Management Business Trust, at the time such Tax returns and Forms 1099 are prepared.

14. Cooperation and Exchange of Information

Acquiring Fund and Target Fund will provide each other and their respective representatives with such cooperation, assistance and information as either of them reasonably may request of the other in filing any Tax returns, amended return or claim for refund, determining a liability for Taxes, or in determining the financial reporting of any tax position, or a right to a refund of Taxes or participating in or conducting any audit or other proceeding in respect of Taxes. Each party or their respective agents will retain for a period of six (6) years following the Closing all returns, schedules and work papers and all material records or other documents relating to Tax matters and financial reporting of tax positions of Target Fund and Acquiring Fund for its taxable period first ending after the Closing and for all prior taxable periods.

15. Entire Agreement and Amendments

This Agreement embodies the entire agreement between the parties and there are no agreements, understandings, restrictions, or warranties between the parties other than those set forth herein or herein provided for. This Agreement may be amended only by mutual consent of the parties in writing. Neither this Agreement nor any interest herein may be assigned without the prior written consent of the other party.